Operational Review and Recommendations For City of Alameda

Alameda, California

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Introduction

National Golf Foundation Consulting, Inc., a subsidiary of the National Golf Foundation, was retained by the City of Alameda to perform a comprehensive review of the Chuck Corica Golf Complex, which is owned and operated by the City of Alameda. The City needed an independent consulting firm to review the City's municipal golf operation, and to make recommendations for its future operations. The following study includes a physical and qualitative review of the golf courses and support amenities, current market positioning, marketing strategies, management structure, staffing, operational practices, and contractual agreements.

The overall goal of the study will be to identify strategies and policies than can be practically implemented to increase the overall economic performance of the golf complex, and maximize the economic return to the City. NGF Consulting understands both the importance of the economic performance of the facility as well as the significance of the facility in the Alameda community, both historically and as a positive recreation amenity for the City's citizens.

The results of this review will be used to assist the City of Alameda officials in determining the appropriate course of action for the future of Chuck Corica with regard to management, operations and capital improvements. Throughout this report, we may refer to shortened names for: the City of Alameda ("City"), and National Golf Foundation Consulting, Inc. ("NGF Consulting" or "NGF").

The key consultants contributing to this study effort were Ed Getherall, Senior Project Director at NGF Consulting, and Forrest Richardson, owner and President of Forrest Richardson & Associates. Activities conducted in completion of this report included: field research; statistical analysis; a meeting with key City officials; meetings with golf operations personnel at Chuck Corica; meetings with Golf Commission members and various clubs at Chuck Corica; a tour and agronomic inspection of each golf course; interviews with area golf operators and Parks & Recreation personnel; and, interviews with City of Alameda golfers. Further, NGF staff consultants visited many of the area's competing public golf facilities to gain an understanding of the market dynamics that help shape operating results at City courses.

NGF Consulting would like to thank the City Manager and Assistant City Manager, the Golf Complex's Interim General Manager and Executive Assistant, and staff members at Chuck Corica, who contributed greatly to this study effort. We would also like to thank market golf operators for their cooperation in providing timely and comprehensive data and other information. Following is the consultants' report on the operation of the City of Alameda municipal golf operation and our recommendations for its future.

Executive Summary

The following is a summary of the significant findings and recommendations made by National Golf Foundation Consulting, Inc. (NGF Consulting). The supporting text and tables are found in the body of the attached report and appendices.

NGF Consulting's review of operations at the City of Alameda's 45-hole Chuck Corica Golf Complex revealed a facility rich in tradition and history. Chuck Corica, set in an attractive parkland setting, has suffered over recent times, with play declining by about 100,000 rounds over the last decade. In the face of this decline and rapidly increasing labor and other operating costs, revenues have become insufficient to carry operations and meet the yearly transfer payments to the General Fund. Still, Chuck Corica appears to have a loyal and very involved customer base, as evidenced by its active clubs, and it remains the busiest golf facility in the Bay Area. The following summary and report reveal some operational deficiencies, as well as some positive attributes and opportunities for improvement.

FACILITIES PHYSICAL REVIEW

Working with Forrest Richardson, owner and President of Forrest Richardson & Associates, NGF Consulting performed a physical review of the Chuck Corica golf courses. The findings outline initial recommendations and priorities based on the limited scope of the report. These recommendations are intended to be guidelines for future considerations. The common goal driving the identification and prioritization of improvements has been the strengthening of the City's golf asset. When the City's asset is preserved and positioned for the future it is possible to offer a better golf experience and better service, ultimately resulting in an increase (or, at the least, a preservation) of market share in this highly competitive environment.

Summary – Review of Physical Assets at Chuck Corica

The Chuck Corica Golf Complex benefits from having two 18-hole golf courses with the potential to offer unique and rewarding golf experiences. Remodeling throughout the years has been less than optimal, as no master plan exists for how the work should be prioritized or positioned. Past efforts have been hit-or-miss, and largely reactionary. With proper planning and execution, the City of Alameda can shape the future of Chuck Corica, ultimately bringing the facilities back to the grandeur and reputation they once enjoyed.

Opportunity exists to position each City course uniquely, taking advantage of strengths associated with each course. For example, the Earl Fry Course is classic and features an attractive parkland setting. The legacy of William P. Bell as designer is a fact that is lost on most customers, as well as some employees. The Jack Clark Course has potential to be transformed into a "must-play" course of extreme challenge and appeal. Pride and quality can be restored to the historic City of Alameda golf asset.

It is important to note that none of the recommendations will be realized to their fullest under the "old" method of allowing change to happen in a vacuum. The policy of small changes here and there, annual replacement activity without regard to an overall master plan, or attempting isolated improvements in lieu of major change, will not suffice. Though this old system may not amount to a waste of funds, it will not have the desired - or needed - impact.

For this reason we recommend that the City undertake a global master plan for the Chuck Corica Golf Complex. During the process, input should be sought from golf course operations and maintenance staff, City officials, the Golf Commission, citizens, and patrons of Chuck Corica. The master plan effort should involve the services of a qualified golf course architect (member of the American Society of Golf Course Architects/ ASGCA), and a qualified golf facility planner. Following the development of a master plan, the City will have a viable tool to use in implementation, further prioritization and budgeting.

Recommendation for Mif Albright

From a purely business standpoint, NGF Consulting recommends that the Mif Albright Course be closed. Play has declined precipitously over the last five years, and City and golf complex staff report that the short course is a money loser (there is a full-time dedicated maintenance worker, and revenues have fallen to about $130,000). Our conclusion might be different if the Mif were an integral component of the facility's teaching or Junior programs, but we are told that very little of the play on the course is related to teaching, or even beginners trying to learn on their own. Additionally, the adjacent short game practice area has robbed the course of some of its integrity, and has supplanted the short course as the means by which established golfers practice their short games.

If the course were to be closed and maintained simply as open space, there would undoubtedly be cost savings. Additionally, the City could then pursue other opportunities for the land (as it reportedly has done in the past). *Even if the current zoning remains in effect, it may be possible to find a private entity that would be interested in opening a revenue-producing recreational use via a ground lease agreement.* In the body of the report, NGF Consulting has made a series of recommendations for the Mif Albright course, *should the City decide to keep it open.*

Prioritized Capital Improvements and Preliminary Cost Estimates

Based on our physical evaluation of the Chuck Corica Golf Complex, we have prepared the following prioritized plan for capital improvements at the facility. Based on several factors, not the least of which is the current lack of funding available for *any* projects, NGF Consulting has concluded that the clubhouse replacement issue (discussed at length in this report) is one that should be considered only after the golf courses have been addressed.

The recommendations we have made for the golf courses, if implemented in conjunction with recommended operational improvements, should produce more "bang for the buck", especially given the capital budget limitations. The old adage that golfers will forgive almost anything if the golf course is in good condition is, to a large extent, true. (As we will see, the results of our Golfer Survey Program at Chuck Corica reveal that the clubhouse is far down on the list of recommended improvements at the facility).

Of course, the number one priority, and one that will provide a vision for Chuck Corica, is establishing a master plan to govern the implementation and timing of the capital improvements, and to guide the facility into the future. As noted, the major caveat in this discussion is that there is currently no money available to fund anything at this time, and the CIP has been put on hold. Therefore, the recommended improvements may essentially represent a wish list. However, in this highly competitive environment, the City must find a way to improve the product offered at Chuck Corica. In conjunction with operational recommendations made later in this report, these improvements should ultimately result in a much healthier municipal golf system.

The plan presented below assumes that the City closes the Mif Albright course. *However, if the City should decide to keep the Mif open*, NGF Consulting recommends developing an in-house program to upgrade the course. Improvements would include adding tees, rebuilding and adding bunkers, expanding some greens, developing an arbor plan, and reducing managed turf by four acres. A rough estimate of cost for these improvements is $200,000.

It should be noted that the cost estimates listed below represent a rough estimate, and could change dramatically one the City went through the RFP process. The estimates are intended to present a middle range of costs, and do not have contingency built in. Therefore, actual costs could be considerably higher, and almost certainly will go up with time.

Chuck Corica Golf Complex: Year 1 Proposed Plan	
1. Develop Full Master Plan for the Complex • Clubhouse area replacement • Consolidation and additions and all golf facilities	$60,000
2. Build temporary banquet facility; concrete pad and a nicely designed permanent roof structure w/ "catering" kitchen, sinks, etc.; improve parking lot lighting	$2,000,000
Fix/repair artificial turf at range	$1,000,000
3. Improve South Course: • Rebuild tees and add tees • Rebuild and add bunkers • Rebuild greens • Develop and implement master drainage plan • Re-work lagoon and slough banks • Add aeration, and re-circulation • Develop arbor plan for removal, trimming and nominal replanting • Replace cart paths sections • Reduce managed turf by 30 acres • Replace irrigation system	$3,000,000
4. Add course restrooms	$40,000
5. Re-work entry landscaping and arrival experience • Replace all signage	$140,000
Rough Estimated Cost	**$6,240,000**

The renovation of the South Course will require the closure of the course in 9-hole phases, with eight months necessary for each 9 holes. (It is not recommended that the improvements be done on a "piecemeal" basis, as this has been a main source of problems in the past, and will likely result in a significant premium to the overall cost). The annual cost savings associated with reducing the maintainable acreage of the South Course is estimated to be about $40,000, due to less turf care and irrigation repairs, and reduced water and electricity.

Chuck Corica Golf Complex: Year 2 Proposed Plan	
1. Improve North Course: • Rebuild remaining tees • Add tees and adjust some existing tees • Rebuild bunkers to the "Bell" style • Reclaim greens surface area • Expand some greens • Develop and implement master drainage plan • Re-work lagoon and slough banks • Add aeration and re-circulation • Develop arbor plan for removal, trimming and nominal replanting • Replace cart paths • Reduce managed turf by 20 acres • Eliminate the snack bar facility • Add screening to maintenance facility • Complete remaining irrigation upgrades	$3,250,000
2. Rebuild North Course Restrooms	$40,000
3. Upgrade Selected Maintenance Facility Areas	$150,000
Rough Estimated Cost	**$3,440,000**

The renovation of the North Course will also require the closure of the course in 9-hole phases, with eight months necessary for each 9 holes. The annual cost savings associated with reducing the maintainable acreage of the North Course is estimated to be about $20,000. The ultimate objectives of the facility improvements are to preserve these valuable assets, create a stronger price/value proposition for Chuck Corica, and better position the club to compete in this highly competitive environment in both the short- and long-term. *NGF Consulting believes that this plan will also allow the City to create a stronger price differential between the Earl Fry and Jack Clark courses, as well as between resident and non-resident rounds.*

MARKET ENVIRONMENT

Demographic / Economic Profile

The subject markets are dense, with 2006 estimates of nearly one million people living within 10 miles of Chuck Corica, more than 3.3 million living within 20 miles, and just fewer than 4.6 million living within 30 miles. Population growth in Alameda County has been modest since 2000, while Contra Costa County has added nearly 72,000 new residents over that time. Population levels are projected to remain virtually the same in the local market over the next five years.

The demographic profile of the greater Bay Area, especially in terms of median household income, is predictive of high golf participation, according to NGF Demand Models. However, this is mitigated somewhat by the extremely high cost of living in the area.

The Alameda/East Bay Area benefits from a generally strong economy, driven largely by the high-tech industry and tourism. The severe downturn in the Bay Area economy during the early 2000s, which resulted in corporate downsizing and relocations, did not affect the East Bay as dramatically as other parts of the region, and employment has recovered nicely. Still, the slump in the housing market and the skyrocketing cost of living continue to suppress any significant economic growth. The general malaise in the economy has undoubtedly had a significant effect on activity levels at area golf courses, many of which are currently operating far below peak rounds played levels achieved in the late 1990s.

Golf Market Overview

NGF Consulting presented an overview of recent and emerging national trends with respect to golf participation and municipal golf, as well as an overview of golf demand and supply indicators in the local market.

National Trends

Participation

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 12.6% of the population today. NGF estimates that 36 million golfers reside in the U.S., with growth slowed to about 1.0% per year. Other surveys completed outside the golf industry show the number of people who "identify themselves as golfers" is as high as 45 million, indicating a large potential "latent" demand from very inactive golfers.

As rapidly as the demand for golf has grown, the supply has grown even faster, with an average increase of about 2.1% per year. With the increase in supply, we are seeing a marked increase in competition, and the supply is greater than the demand in some markets.

In addition to increased competition, four other factors have contributed to a decline in the number of rounds per course nationally during the 2002 to 2006 period. These include: 1) an uneven national economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; 3) the increasing time pressure on individuals and families; and 4) abnormally poor weather conditions over the past few years in much of the U.S. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high debt load. The level of golf course closings has quadrupled from an annual average of 24 courses per year in 1993 – 2001 to 48 courses in 2002-03, 63 courses in 2004 and more than 100 courses in 2005. ***In 2006, there was negative net growth in golf facilities for the first time in six decades, with 146 18-hole equivalents closing and 119.5 opening.***

In terms of the total number of rounds produced, NGF estimates that rounds fell about 1.5% in 2003, after a 3% drop in 2002. NGF research indicated a rebound of about 0.7 percent in 2004, a very slight decline of 0.1% in 2005, and an increase of 0.8% in 2006. **The Pacific-Coast Region saw rounds decrease by about 1.5 percent in 2006, after a comparable decline from 2004 to 2005.**

On the positive side, the growth in golf course development has slowed considerably nationally and in the majority of local markets, a trend that should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby boomers are rapidly approaching retirement age when golf activity flourishes. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation.

Municipal Golf

Municipalities were largely responsible for helping bring golf to the masses by creating affordable golf courses for their citizens. The role of municipal golf has changed dramatically over the past 30 years, with fewer municipalities viewing golf in the same vein as other recreational opportunities offered – simply an amenity for its citizens. Still, many municipalities remain that are willing to subsidize municipal golf. Though these municipalities certainly prefer to earn a profit, they recognize the value of offering affordable golf to their residents with respect to quality of life and even longevity, due to health benefits.

Several factors have changed over the last few decades that have, at least temporarily, altered the golf course market and the role of the municipally owned golf course. The main factor has been increased competition. As noted, in the last two decades the supply of public golf courses has increased dramatically, thus eliminating the near-monopoly that municipalities used to have on public golf. Now municipal courses are finding themselves competing head-to-head for market share with private enterprise. *Unfortunately, few municipalities find they are equipped to handle this type of competitive environment, and it is becoming increasingly uncommon for municipal golf systems to earn revenues sufficient to cover all operating expenses, debt service, and capital improvements.*

There are several factors that typically inhibit municipalities in their ability to compete successfully with private enterprise. These include:

1. **Slow response:** By nature of the bureaucracy that is typically involved in making decisions, government-owned business are typically very slow to respond to market conditions – such as rates, promotions, etc.

2. **Budget Constraints:** Often budgetary problems in other departments can have an adverse affect on golf operations.

3. **Personnel Policies:** One of the most glaring areas separating municipal governments from private enterprise is in relation to personnel policies and costs. This is particularly true with regards to:

   Benefits: Municipalities typically offer very rich benefit packages – far superior to what is normally the case within the golf industry – resulting in the municipality paying far more for labor than competing private facilities.

   Termination: With most private enterprises, if an employee is not productive, they are terminated – and often quickly. With governments, however, it can be extremely difficult to get unproductive employees terminated.

   Marketing: Most municipalities lack marketing expertise that is critical to succeeding in a competitive business.

   Procurement: When large items, especially capital improvements, are needed, municipalities are often constrained with lengthy procedures and mandated policies that slow the process down and can lead to situations where the best product or contractor is not selected. Another issue regarding procurement is getting funding, which can often take months longer than in private industry.

   Incentive: With most municipal golf operations where all the employees are employees of the municipality, there are little or no incentives given to the managers for superior performance. As a result, municipal golf managers often earn the same secure income regardless of how successful the facility may be.

In summary, municipal golf facilities face considerable challenges to survive in the modern golf industry, and the City of Alameda is facing some of these same issues.

Local/Regional Market

The Bay Area ranks in the top seven markets nationally in terms of predicted number of golfers and potential rounds demanded. The Designated Market Area (DMA) ranks in the top 11% for number of total golf facilities, in the top 13% for number of public facilities, and in the top 10% for number of "standard" golf courses – the category that Chuck Corica falls into. While the San Francisco DMA is among the largest golf markets in the United States in terms of total demand, the area ranks a relatively low 88th for actual golf participation rate among its residents. However, due to the sheer size of the population, estimated rounds demanded in the market is a very large number.

Golf participation rates in the subject markets are between 5% and 12% lower than the national benchmark, while rounds demanded per household are between 8% (for 10-mile market area) and 28% (30-mile ring) *higher* than the national figure. The high rounds demanded per household are indicative of the year-round golf climate, the high number of golf courses, and a demographic profile that is generally conducive to high golf demand, particularly as it relates to median household income.

Alameda County has seen 108 new holes of golf added over the last decade, all public. During the same time, neighboring Contra Costa County added 90 new holes – again, all public. For the nine-county Bay Area region, 27 total golf facilities were added between 1997 and 2006. This included 6 private (comprising 90 holes) and 21 public (360 holes) facilities. It should be noted that the actual *net* additions may be somewhat smaller due to golf course closures (e.g., Galbraith closing, and reopening as Metropolitan).

There were 4,485 residents per public golf hole in Alameda County in 1990, and 98,399 residents per public golf facility. These numbers increased to 5,175 and 103,124, respectively, by the year 2000. However, a spate of new golf course construction and stagnation in population growth in the subsequent six years decreased these ratios to 4,152 and 85,731, respectively, by 2006. This represents a decrease of about 20% in the population per public golf hole, and 17% in population per public golf course between 2000 and 2006 in Alameda County. For the entire nine-county area, population per public golf hole declined moderately from 4,264 in 1990 to 4,008 in 2006, while the population per public golf facility decreased from 70,889 to 70,667 over that time.

Despite the increase in golf course supply, the market area that Chuck Corica operates in has a very high number of households available to support each 18-hole golf course, relative to the national benchmarks for these measures. The corporate and visitor markets in the Bay Area also have great potential to supplement resident play at area golf courses. Local corporations and other organizations are strong candidates for lucrative tournament play at Chuck Corica, especially if a new banquet center is added. Also, though Alameda itself is not as significant a tourist attraction as some other parts of the Bay Area, the very high number of annual visitors to the overall region is certain to result in some residual play at Chuck Corica each year.

COMPETITIVE GOLF MARKET

Two of the objectives of this study are to identify any opportunities that may exist for Chuck Corica Golf Complex to increase market share and revenues, and, secondly, to compare the subject facility to other local and regional golf courses for the purpose of benchmarking fees, activity levels, and policies. NGF Consulting profiled the area municipal and daily fee market dynamics, and presented operating profiles for regional municipal golf systems.

The competitive golf market that Chuck Corica operates in is formidable. Of its five chief competitors, three – Metropolitan Golf Links, Monarch Bay, and Tilden Park - are very high quality facilities that offer very strong price/value propositions. Metropolitan and Monarch Bay have both undergone $10+ million renovations in recent years. The other two primary competitors – Skywest Golf Course and Lake Chabot Golf Course – are undertaking major capital improvement campaigns, and figure to be more formidable competitors for Chuck Corica in years to come.

Chuck Corica's five main competitors averaged 71,500 rounds played in 2005-06, ranging from about 43,000 rounds at Lake Chabot to 114,000 at Monarch Bay. Of the other regional municipal golf courses we surveyed, annual play averaged about 67,000 rounds per 18 holes. Despite losing more than 100,000 rounds off its peak activity levels of the late 1990s, Chuck Corica remains the busiest facility in the Bay Area golf market. Most area municipal operators report activity levels that are down by about 30% since peaking in the 1990s, a trend largely attributed to heightened competition. Los Lagos (San Jose) and Callippe Preserve (Pleasanton) are the newest entrants into the area municipal golf market, and both are high quality facilities that have had immediate market impact.

The greater Bay Area also features a highly competitive daily fee golf market, which has also experienced a decrease in average rounds played of about 20% to 30% since the late 1990s. Though NGF Consulting does not consider most daily fee facilities to be direct competition to Chuck Corica, discounting of fees is prevalent at many high quality courses, prompting some golfers who would normally play at generally lower fee municipal courses to occasionally travel to play "luxury" rounds. Many daily fee courses practice aggressive yield management, where tee sheets are carefully monitored and unsold inventory is offered at discounted rates with the idea that an unsold tee time is gone forever.

We also presented overviews of regional municipal golf systems to illustrate trends with respect to golf in this regional market. We observed a variety of operating structures, contractual agreements, and operating results, though there were some commonalities between systems. For instance, all of the systems have provisions for capital improvements, and many of the golf courses have undergone major improvements in recent years. We also observed that some municipal golf systems that are struggling economically are actively seeking solutions, including soliciting outside help from entities that have golf operations and maintenance expertise. NGF Consulting noted the following significant findings for the City of Alameda's municipal golf operation:

- Alameda's cost of production per round in FY 2005-06 was the sixth highest among fifteen municipalities reporting, at $38.67 per round (including annual transfers).
- Excluding Alameda, labor as a percentage of the total expense budget averaged 47.4% among the nine municipalities reporting this measure. Alameda is at 45.8%.
- Alameda is tied with Livermore (Las Positas only) for the second highest labor expense per revenue dollar, at $0.57. Hayward Area is the highest at $0.67.

GOLF OPERATIONS REVIEW

In the body of the report, we provided an overview of issues related to the overall operations of the Chuck Corica Golf Complex. Due to the very nature of consulting engagements such as these, this review focused on some areas where changes may be in order or operations improved, rather than on the many positive attributes of the facility and its dedicated workers.

Additionally, the topics covered were not meant to be exhaustive; rather, we focused on those issues that are most germane to continuing operations at Chuck Corica.

Both our review of the operations and the Golfer Survey Program that was implemented as part of this study have borne out that, though the golf facility has some problems, it enjoys a largely loyal, and very involved, local customer base that is very passionate about the future of Chuck Corica. **Details regarding the operations review are contained in the body of this report. Below, we summarize the recent operating results for Chuck Corica, as well as some results from the Golfer Survey Program.**

Operating Performance of Chuck Corica Golf Complex

NGF Consulting analyzed the overall economic performance of Chuck Corica GC over the last five full years. These numbers are explored in depth in the report.

Overall Results FY 2001-02 to FY 2005-06

Between FY 01-02 and FY 05-06:

- Activity at Chuck Corica declined by nearly 73,000 rounds, or by 35.2%.
- Total receipts decreased by $1.35 million, or by 25.3%.
- Total operating expenses, including Cost Allocation and other Transfers Out, but excluding debt payments, increased by $466,000, or 10.2%.
- Wages and Benefits alone increased by $502,000, or 27.7%.
- Total operating expenses, *excluding* Cost Allocation, transfers, and debt service, went up by about $288,000, or 7.6%. Excluding charges and transfers to the General Fund and Wages/Benefits, other operating expenses declined over this period.
- Operating Income/Loss, as defined by the City, went from a positive $1.125 million to a negative $632,000. This included surcharges (treated as a reduction in revenue) and PILOT ("Payment in Lieu of Taxes)/ROI ("Return on Investment"), but before Cost Allocation and Debt.
- Excluding Cost Allocation, transfers, and debt service, Operating Income/Loss went from a positive $1.57 million to a negative $70,627.

Rounds Played Trends

Between FY 01-02 and FY 05-06, we note the following significant findings:

- Paid rounds decreased by more than 75,000, a decline of 37.6%. (At the same time, 'Comp' rounds increased by 38%). The worst yearly decline was between 03-04 and 04-05, when rounds decreased by more than 27,000.
- During the five-year period, rounds for Earl Fry decreased by 25.8%, for Jack Clark by 33.4%, and for the Mif Albright by an eye-popping 57.6%.
- Though the 04-05 and 05-06 were exceptionally rainy years in the Bay Area, rounds declines cannot be attributed to the weather, as average rounds played *per good*

weather day have continued a steady decline over the last five years. In 2001-02, total rounds per "playable day" were 618; this figure fell by 25% to 464 by 05-06. (Paid rounds per playable day fell by about 28%, to 432.5).

- Unofficial rounds played records show that Chuck Corica rebounded somewhat in 2006-07, with nearly 145,000 total rounds. However, rounds played per good weather day continued to decrease to 435 per day.

Other Revenue Centers
Total revenue per round (excluding non-operating revenue) at Chuck Corica GC has increased from $25.82 in 2001-02 to $29.78 in 05-06, an increase of 15%. Several revenue centers at the facility have been remarkably consistent over the last five years:

- Average cart rental revenue per round - $3.57 – was the same in 2005-06 as it was five years previous.

- Average lesson revenue per round was $1.37 in 05-06, and $1.35 in 01-02.

- Driving range revenue per round was $3.22 in 05-06, and $3.21 in 01-02.

- Food & Beverage (net to City, not gross to lessee) was $0.35 per round in 01-02 and $0.36 in 05-06.

Though consistency can be a good attribute, it is not necessarily good in this case when both prices and the cost of producing that revenue are going up. From an absolute standpoint, NGF Consulting considers the pro shop, cart, and lesson revenue centers to be below average in terms of per-round revenues for a municipal golf course of Chuck Corica's quality. Though the cart revenue center is largely reflective of a clientele that prefers to walk, effective and aggressive merchandising can often increase pro shop sales dramatically. Encouragingly, pro shop revenue per round has increased by more than 25% over the last two years

Operating Expenses
NGF Consulting's analysis of expense and expense ratios reflected the deadly combination of rising expense levels in conjunction with rapidly declining rounds played and revenues.

- As is the case with most regional self-operated municipal golf systems, labor costs represent largest single expense item for Chuck Corica. Wages & Benefits have increased by 97.1% over the last five years, from $8.76 per round to $17.27 per round. At the same time, wages & benefits per revenue dollar have increased by 70.6%.

- Labor costs as a percentage of total operating expenses (excluding depreciation, debt, and transfers) have increased from 53.2% to 62.5%.

- Total operating expense per round has increased by 68% since 2001-02, while total expense per round (including depreciation, debt, and annual transfers) increased by 64% to $38.67 per round. This latter figure is essentially the *cost of producing a round of golf at Chuck Corica.*

Annual Transfers

In the body of the report, NGF Consulting discussed the issue of various annual transfers between the Golf Enterprise Fund and the City's General Fund. Below, we summarize these transfers (excluding debt service) over the time period of 2001-02 to 2005-06.

- Transfers from Chuck Corica to the General Fund have totaled $4,387,530 over the last five fiscal years, excluding debt service. The annual amounts for Cost Allocation and PILOT/ROI have been virtually equal over the last two years, at $420,000+.

- Total transfers have increased as a percentage of total revenue, from just over 15% in 01-02, to nearly 25% in 05-06. At the same time, transfers per round have gone up by 88%, to $7.36.

- The Return on Investment portion of PILOT/ROI was created in 2004-05, resulting in an increase in transfers of more than $200,000. In 05-06, ROI accounted for $217,122, and PILOT $188,424.

Golfer Survey

NGF implemented the Golfer Survey Program (GSP) at Chuck Corica to gauge opinions from the facility's golfers. A total of **340 completed surveys** were collected by NGF, with the vast majority filled out via our on-line survey link. The referenced ratings are based on a five-point scale, ranging from "Very Dissatisfied", represented by a rating of 1, to "Very Satisfied", represented by a 5. The average response for each factor is then compared to a national benchmark score, which is calculated from actual results from more than 300 golf courses at the same price point range as Chuck Corica, totaling more than 125,000 total completed surveys. Some of the key findings of the survey are listed below.

- The only business drivers where Chuck Corica rated "B" or above among the survey respondents were "Affordability", "Convenience of Course Location", and "Overall Value".

- The key business drivers on which Chuck Corica fared the poorest – equivalent to a grade of "D" or worse - were "Amenities", Condition of Golf Cars", "Condition of Tees", "Condition of Fairways", and "Pace of Play"; "On-Course Services" graded out to a "D+". The facility graded out to a "C" for "Overall Course Conditions", but opinions varied widely on this measure.

- Another very important business driver where Chuck Corica did not fare well compared to national benchmark grades was "Friendliness/Service of Staff". *This was also a key element that came up repeatedly in our interviews with various stakeholders of Chuck Corica – that some employees were inattentive at best, and unfriendly or rude at worst.*

- Golfers were asked to choose the three factors from the table above that are most important to them when choosing a place to play. For Chuck Corica, the top three were Affordability, mentioned by 40% of respondents, Overall Course Conditions (35%), and Pace of Play (33%).

- Pace of play is a recurring theme throughout the survey results. The club graded out to an "F" on this measure, which, as noted above, is a very important factor to golfers. Pace of play also was mentioned by more respondents than any other factor when it came to suggested improvements at the facility. Finally, slow play and ineffective marshaling were the themes that recurred most often in the "open-ended" or "verbatim" comments made by golfers (see ***Appendix F***). NGF Consulting believes that this is a critical issue in terms of Chuck Corica increasing frequency of play from its customers, as well as increasing market share.

- The survey results confirmed that Chuck Corica's primary competitors are those public golf courses most proximate to the site, and at a similar price point. In descending order, golfers listed Metropolitan, Monarch Bay, Tilden Park, Lake Chabot, and Skywest as the courses they also play at when not playing Chuck Corica. As a group, the respondents reportedly play 48% of their total golf rounds at Chuck Corica, a figure that is consistent with low facility loyalty.

- In one of the custom questions, golfers were asked about the level of green fee increase they would be willing to absorb before they would begin playing less frequently at Chuck Corica. (It was explained in the question that any increases would partially fund needed capital improvements at the facility). Surprisingly, less then 22% of 342 respondents said they were "not willing to pay more". Nearly a third of golfers said they were willing to pay $1 to $2 more per round, while another third was willing to pay $3 to $4 more per round. About 6% of customers said that they "will pay whatever the fees are".

- Survey respondents were also asked to voice their opinions via open-ended comments at the end of the survey. Positive comments about Chuck Corica most often centered on convenience of location, affordability, and playability/ walkability of the courses. The most common negative comments included the need for better drainage and overall maintenance, better customer service, clean-up of goose droppings, and improved restrooms and on-course services. However, the issue that seemed to stand out above all others was the need for effective marshaling and vastly improved pace-of-play, especially on weekends. A sample quote regarding the pace-of-play issue was: "*I believe the root of the slow play problem is that the marshals won't be backed up by management if they press the 'old timers' and the 'local boys' to move along.*"

MANAGEMENT OPTIONS

Before presenting the most viable alternative management arrangement for the Chuck Corica Golf Complex, we provide descriptions of the most typical management options for municipal golf operations, as well as advantages and disadvantages of each. Management contracts, operating leases, and concession agreements are the three most commonly used terms to describe a contract between a municipality and a private golf course operator. Each has significant differences, but also several common characteristics.

Analyzing the management options for the City of Alameda gives the City the opportunity to carefully consider which method of management is in its best interest, should it decide it is no longer economically viable for the City to continue self-operation. Arriving at the right method of management can be a complicated procedure because no two facilities have the same needs. A general discussion of each option, along with key advantages and disadvantages, is presented in the body of this report. The primary options available to the City are:

- **Continue As-Is (Self-Operation):** Under this scenario, the City continues to operate and maintain Chuck Corica in the same manner as it does now.

- **Full-Service Management Contract:** Hire a management company to operate all aspects of the golf facility.

- **Concession Agreement:** Similar to a lease agreement, but usually involves granting a license to operate a facility rather than the right to occupy the premises.

- **Contracting the Maintenance Only:** Municipality privatizes only the costly maintenance option, but continues to manage the facility.

- **Operating Lease:** Lease the facilities to a private operator in exchange for an annual (or monthly/quarterly) lease payment to the municipality. The lease could be established to include certain lessee requirements, possibly including capital investment in facility improvements. Maintenance standards and compliance policies would be included, and some restrictions regarding setting of resident green fees would be likely.

After analyzing the operations at Chuck Corica, and weighing the pros and cons of the various alternatives as they apply to the City of Alameda, NGF Consulting concluded that an Operating Lease is the management alternative that makes the most sense for Alameda, *should the City decide self-operation is no longer viable*

If Alameda were to lease Chuck Corica, the City would have virtually no involvement in operating and personnel decisions, and would have little or no involvement in determining operating expense budgets. *However, if the lease agreement is properly constructed with regard to lessee controls, reports, maintenance specifications, and capital improvement provisions, the operating lease can provide the necessary protection for the municipality and the golf facility asset.* The contract can also contain a provision regarding the setting of resident green fees, as is the case between the City of San Leandro and American Golf.

Just as important, the lessee will almost certainly be required to at least share in the cost of capital improvements that the City would not otherwise be able to fund under the current operating scenario or with a management company. (The need for these improvements at Chuck Corica, and the current lack of funding, makes the Management Contract alternative untenable). There are many examples of municipal golf course leases in which the private operator has financed large-scale capital improvements (see Monarch Bay as an example in this market).

However, in order for this to happen, the lease must be viewed as a great opportunity for the bidder, in terms of upside revenue potential and freedom to run the golf facility without unreasonable restrictions regarding fees or institutionalized "sacred cows". NGF Consulting believes that Chuck Corica, which generated $5 million in revenue as recently as 2003-04, would be very attractive to potential suitors.

NGF CONSULTING OPERATIONAL RECOMMENDATIONS

NGF Consulting prepared a series of recommendations that we believe will help the City of Alameda to run a more effective and efficient operation at Chuck Corica Golf Complex. These recommendations are made under the assumption that the City continues to self-operate the facility.

Staffing

- NGF Consulting has concluded that the facility needs a very strong professional with expertise in all aspects of golf facility management and operations to "take control" of Chuck Corica. This person, whose title might be "Operations Manager", needs to be extremely knowledgeable about the business of golf, and must be strong-willed enough to begin to chip away at the entitlement culture and political considerations that seem to shape policy at Chuck Corica.

- The Operations Manager position needs someone with overall management skills, as well as knowledge and expertise regarding every facet of a golf operation. It is also important that this position be manned by someone who is a "people person," something that is especially important in municipal golf. NGF Consulting believes it is also important in the golf industry that top facility management be on-site on weekends, at least in the mornings. The Operations Manager would answer directly to a person in Administration at the Recreation and Parks Department.

- We also believe there should be a second management position, which should be filled by an individual with the appropriate skill sets. NGF Consulting believes that the second position be a "revenue-producing" job, with a position title such as "Marketing Director" or "Director of Sales". The main duties of this second in command position should be customer service, tournament sales and facilitation (especially important if the new stand-alone banquet center is built), merchandising, and development of a strong teaching and player development program.

Training

- NGF Consulting was told that no employee training manual exists. Additionally, because of high turnover, there is reportedly constant training. Top management must create a formal training manual and program, to replace the "trial by fire" method that is currently employed. Additionally, strong employees must be given an incentive to stay on, rather than simply given a bigger workload for the same pay.

Cost Allocation, Surcharges, PILOT, ROI

- Based on the continuing decline of the economic performance of Chuck Corica Golf Complex, NGF Consulting has concluded that the Surcharge and ROI transfers from Golf to the General Fund are no longer viable economically from the standpoint of the Golf Fund. As discussed in this report, Cost Allocation and PILOT are more common charges in the municipal golf industry; however, if the City continues to self-operate Chuck Corica, it should carefully monitor the financial state of the Golf Fund, and may need to consider also discontinuing PILOT, at least temporarily, if the operating reserve continues to decrease. From a planning standpoint, the City must assume that rounds and revenues at Chuck Corica are going to be in the present range into the foreseeable future, especially if necessary facility improvements are not funded. *Ultimately, a combination of factors – flat revenues, rapidly rising labor costs, continued large-scale transfers out of the Golf Fund, and the lack of any capital improvement funding – will result in the continued depletion of the operating reserve for Chuck Corica, as well as an ever-deteriorating product.*

- *As we will see when we present various cash flow models for Chuck Corica in the body of this report, cessation of some, or even all, of the transfers, while a necessary component of any potential economic recovery, is likely to ultimately prove insufficient if the goal for the Golf Fund is to generate enough revenue to be sustain operations for the long term and fund necessary capital improvements.*

- Cost Allocation, or City charges for administrative support, etc. to the Golf Fund, is a relatively typical expense charged to Golf Enterprise Funds. Though NGF Consulting cannot comment on the appropriateness of the amount being charged, it is not unreasonable for the City to continue to charge this as an operating expense for Chuck Corica.

Fees

NGF Consulting believes that Chuck Corica is generally priced appropriately, given its price/value proposition relative to its chief competitors. Specific fee recommendations for Chuck Corica are:

- The facility would likely pick up some play during off-peak periods if it became slightly more aggressive in its pricing for some non-resident discount categories - specifically senior and twilight/late twilight. NGF Consulting believes that Metropolitan, Monarch Bay and Tilden Park offer superior values to Chuck Corica across these categories.

- Begin twilight at 2:00 p.m., and super twilight at 4:00 p.m. to be more competitive with Metropolitan, Monarch Bay, and Tilden.

- Similar to Metropolitan, create a senior rate that includes cart and breakfast.

- Though it will not make a huge difference in revenues, we see no reason why the Junior resident rate cannot be raised to about $3, if for no other reason than to keep up with inflation. It will still be the best bargain for Juniors in this market.

- Simplify the fee structure – NGF Consulting earlier gave examples of several categories that can be combined into one.

- Allow some flexibility to adjust fees seasonally or based on demand, without Council approval. This policy will allow Chuck Corica to be more competitive, especially with privately-operated daily fee facilities that practice yield management. As noted by the Golf Services Manager, it would also be appropriate to have discounted fees during overseeding, or when one or both courses are “cart path only” due to recent rains.

Marketing

- The management at Chuck Corica should prepare a comprehensive marketing plan incorporating research, planning, strategy, market identification, budget, advertising, timetable, and follow-up. Also, there should be more of a commitment to marketing, as the overall Bay Area golf market has become much more competitive over the last decade, and Chuck Corica has lost a considerable amount of rounds during this time.

- Unfortunately, until Chuck Corica is improved, the main selling point of the facility is its affordability and convenience for resident golfers. If the recommended physical improvements are undertaken at some point, the City will have more of a story to tell, particularly for non-resident and visiting golfers. The North and South courses have the potential to offer very unique and different golf experiences. The City needs to capitalize on this aspect, further distinguishing the courses from each other.

- For a 45-hole facility, Chuck Corica has a low number of tournament rounds each year. A new banquet facility will make selling outings easier, and NGF Consulting believes that hosting more large tournaments is critical to rebuilding play levels and revenues at Chuck Corica, which has the advantage of being able to accommodate weekend tournaments without completely disrupting daily fee play. Chuck Corica's marketing plan should aggressively target local groups and event planners, promoting the club as the best facility for a golf outing.

- The second critical element to positioning the club as the place to hold events is following through by providing a good experience. More so than daily fee play, large tournaments and outings are very much about entertainment and camaraderie, rather than golf. As we've noted before, facility improvements should be made and the club must be prepared to give a high quality golf experience before going all-out to draw large events to Chuck Corica, as they are generally at the highest green fee and expose many golfers to the club for the first time.

- Management should institute a Frequent Player/Loyalty Program. There are many variations of these programs, but essentially they are a way to build loyalty in hyper–competitive markets. An example would be a "Player's Card" which accrues points good toward future purchases, or which award every 11th round as free.

- Programming / Player Development – this is especially critical for a facility with a large contingent of senior players, such as Chuck Corica. These seniors will eventually reach an age where they will begin to play less frequently, so one of the critical elements to the long-term viability of Chuck Corica is player development, which should be an ongoing effort.

Customer Service

- Chuck Corica did not fare well (compared to national benchmark grades) on the golfer survey for "Friendliness/Service of Staff", which is a very key business driver at any golf operation. Also, this was an issue that came up in our interviews with various stakeholders of Chuck Corica. Good customer service is crucial to providing a high quality golf experience. For instance, identifying and greeting first time customers, perhaps with a small token of appreciation like a free beverage as they exit the 18th green, is an invaluable public relations tool and can make up for a poor round of golf. A golf club cannot give a customer a reason not to return – there are simply too many other choices out there. Management at Chuck Corica should institute a customer service program, and should periodically survey its customers to track its progress.

Marshals / Rangers

- NGF Consulting recommends that management develop a training program for marshals that includes written materials, classroom instruction, and on-the-job supervision by course management. There should be daily interaction between management and the ranger staff at the beginning and end of each person's shift. Rangers should be required to prepare a brief written report detailing what occurred on their tour. Management should review these reports in a timely manner to see if trends are developing that may need to be addressed.

- The usefulness of ranger services cannot be evaluated solely by the number of hours they are on the golf course. Chuck Corica management must ensure that rangers must be trained and well supervised. They must be given policies and procedures that govern a variety of situations they are likely to encounter. They must also have a clear understanding of the authority that has been delegated to them.

Starter Marshals

- We recommend that Chuck Corica utilize starters during all times that are known to be peak demand periods, including weekends and at the beginning of twilight times. This is especially true of the South course, as the pro shop does not have as good a sight line as it does of the #1 North tee. The starters would likely be drawn from the same pool as the rangers, but should be selected based on personality and reliability. The starter should be given a copy of the tee sheet and be responsible for pairing up smaller groups (singles, doubles, etc.).

- The starter should be responsible for checking receipts to make sure all the golfers have paid and have paid the correct amount (e.g. did they pay a cart fee if they are riding?).

Complementary Rounds / Lost Revenues

- The high number of 'Comp' rounds at Chuck Corica was discussed in detail in this report. While we noted that it is impossible to tell how much lost revenue this results in, it is clear that reducing them would add to the bottom line, as some of these free rounds will become paid rounds. NGF Consulting recommends that complementary rounds be restricted to employees and volunteers only, with the exception of free rounds that are truly used for promotional purposes (golf707, etc.).

- Management may also want to consider eliminating tee times, and making the comp rounds available on a same-day basis only, based on availability. Finally, there should be a strong edict, as we observed at some other area municipal golf courses, that the system is not to be abused or taken advantage of.

- Another source of lost revenues at Chuck Corica involves range buckets and the teaching program. Range buckets associated with lessons are often a strong source of revenue at golf courses. Currently, teachers at Chuck Corica are entitled to unlimited free buckets of range balls. The City should strongly consider limiting this to one bucket per lesson, or even charging for the bucket and having the revenue come to the City.

- Finally, in our interviews with Chuck Corica stakeholders, it was conveyed to us that some golfers have been exchanging monthly tickets with non-ticket holders. If true, and depending on how often this occurs, this could represent serious lost revenue to the facility. The obvious solution is to either put pictures on the tickets, or to require that pro shop personnel carefully check identification whenever a ticket holder comes to play.

Pace of Play

- NGF Consulting interviews, backed up by the results of the Golfer Survey Program, indicate that slow pace of play is a serious concern for many golfers at Chuck Corica

GC. Management must create and employ a Pace of Play policy, which should be distributed to all golfers, including regulars. The facility's pace-of-play policy should be explained and golfers encouraged to keep up with the group in front of them. This creates an expectation with the golfer and can be done in a manner that is professional and inoffensive.

- If the City continues to self-operate Chuck Corica and follows NGF Consulting's recommendation regarding the top management positions, the hiring of the new positions would be a perfect time to instill a "new sheriff in town" mentality toward slow play.

- Improved directional signage would help those golfers that are new to Chuck Corica transition properly from one hole to the next. We have previously noted the sometimes confusing layout in areas such as #9 green/ #10 tee on the South course. Finally, signage (that is actually large enough to read) should be placed at designated spots, reiterating the club's pace of play policy.

On-Course Services

- NGF Consulting recommends closing the Snack Shack facility in favor of running a beverage cart on each course during peak demand times, and one to serve both courses during slower play periods. Secondly, as we noted in our prioritized list of capital improvements, the City should consider adding a second restroom on the South course. Finally, management should make sure that restrooms are cleaned daily, as unsanitary conditions reflect very poorly on both the golf course and the City, especially to first time players and visiting golfers.

Clubhouse / Stand-Alone Banquet Center

- NGF Consulting has previously noted the many shortcoming of the present clubhouse at Chuck Corica, especially from a functionality and programming perspective. The poor layout of the facility and the lack of banquet/event space undoubtedly constrains revenues. However, we have also noted that a new clubhouse is not likely to pay for itself in terms of incremental revenues, at least in the short term. Because of the lack of financing, and assuming no structural defects or safety issues, the clubhouse falls under the category of "want" rather than "need" at this point, and NGF Consulting has concluded that golf course improvements take higher priority.

- Conversely, NGF Consulting recommends that the City proceed with plans to add a new stand-alone banquet center. Our previous analysis showed that a new banquet center, with a capacity of 300 and an approximate cost of $2 million, is likely to pay for itself in terms of incremental revenue generated. Depending on the financing terms, the annual debt service should be between $160,000 and $180,000; our analysis revealed that incremental revenues resulting from increased tournament rounds and food & beverage lease payments to the City should easily exceed this amount.

PROJECTED ECONOMIC PERFORMANCE FOR THE CHUCK CORICA GOLF COMPLEX

Based on our analysis of the Chuck Corica Golf Complex, as well as the market in which it operates, NGF Consulting prepared a five-year financial pro forma for the facility. Cash flow models were prepared for three scenarios:

1. Operation continues "as is" (assumes continuation of current market conditions, management, maintenance, CIP policy, annual transfers, with no implementation of NGFC findings). *The only change assumed under this "base" scenario is that the stand-alone banquet center (capacity 300) is built and operational by 2008-09.*

2. Continued self-management and maintenance by City, but with implementation of NGF Consulting operational recommendations (with exception of abatement of ROI and Surcharge transfers, and the closing of the Mif Albright) made in this report. *It is assumed that capital improvements recommended in this report cannot be funded, so the banquet center remains the only new major facility improvement in this scenario.*

3. Operation and maintenance by independent lessee. Other than banquet center, no recommended capital improvements are assumed to be made, as funding for, and timing of, these improvements will be a negotiation process between the two parties. The City will retain some control with respect to approval of resident fees and compliance with maintenance standards and capital improvement requirements.

Financial Projections Results – Scenario 1

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming the "as is" scenario but with a new banquet center, show that net losses, after all operating expenses, debt service, and transfers, will continue for the next five years. Total revenues are expected to be $4.6 million in FY 2007-08, growing to approximately $5.53 million by FY 2011-2012. However, considering all preliminary expense estimates prepared by NGF Consulting for this study, cumulative losses after operating expenses, debt service, and transfers will be more than $3.8 million over the next five years.

The implication for Chuck Corica Golf Complex is that these losses will result in continued depletion of the operating reserve (unrestricted fund balance), and preclude major facility improvements. In this market environment, this scenario will put Chuck Corica at a further competitive disadvantage as other regional golf courses continue their CIP programs.

Financial Projections Results – Scenario 2

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming the continued self-operation by the City, but enacting NGF Consulting operational recommendations, show that net losses, after all operating expenses, debt service, and transfers, will decline over the next five years until reaching a virtual break-even position by 2011-12. Total revenues are expected to be $4.7 million in FY 2007-08, growing to approximately $6.4 million by FY 2011-2012. However, considering all preliminary expense estimates, debt service payments, and annual transfers, cumulative losses will still total more than $1.8 million over the next five years.

Enacting the recommendations made in this report will result in an improved bottom line. However, losses after transfers will continue over the next four years and, as with the base scenario, the City will have to continue depleting the operating reserve, and major facility improvements will be deferred.

Financial Projections Results – Scenario 3

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming a private lease scenario, show that rent/lease payments to the City will total $3.38 million over the first five years of operation, including restaurant lease payments. After debt service payments and capital improvement set aside, the City is projected to net about be $1.78 million over the five years.

From the lessee's perspective, gross operational revenues are projected to be $4.1 million in FY 2007-08, growing to approximately $5.4 million by FY 2011-2012. Considering all preliminary expense estimates and lease payments to the City, net operator profit before taxes is projected to total more than $1.4 million over the five-year period.

Funding for Capital Improvements

A potential lessee, based on their own review of the RFP the City issues and their own analysis of the potential revenues at Chuck Corica GC, may agree to fund all necessary facility improvements. However, barring that possibility, NGF Consulting believes that rent concessions by the City in the early years of the lease, in exchange for completing capital improvements by a specified time, would be the most prudent course of action.

The sooner improvements are made, the sooner Chuck Corica will be able to compete more effectively in this market, where many golf courses have undergone, or are in the midst of, major capital improvement campaigns. Once major facility and golf course improvements are completed, the operator will be able to segment the North and South (more affordable) courses and re-position them in the market, as discussed in this report.

Another consideration is that, at the time the lessee takes over the operation, any remaining Unrestricted Fund Balance would be available to the City for whatever use they deemed most appropriate, including contributing toward facility improvements. Finally, the closing of the Mif Albright might present the City with an additional revenue source if an alternative recreation use could be found, possibly through a ground lease.

MANAGEMENT RECOMMENDATION AND SUMMARY CONCLUSION

NGF Consulting has made a number of operational recommendations in this report that, if implemented, would likely result in improved economic performance at Chuck Corica Golf Complex. However, based on NGF Consulting's financial analyses of the various operational alternatives available to the City of Alameda for the future of Chuck Corica Golf Complex, we have concluded that a lease agreement is the best solution for the City if it wants to stem the financial downturn, and preserve the golf facility asset for future generations.

We believe that several issues preclude a meaningful solution under self-operation, including the magnitude of the yearly transfers to the General Fund, the rapidly rising cost of labor, and the pervasive atmosphere of an entitlement culture at Chuck Corica, as manifested by the presence of "sacred cows" and political considerations shaping operational policies. Though the latter situation is not unique at municipal golf courses, it does mean that there are very serious constraints to implementing best business practices, which is a necessity when golf is set up as a self-sustaining enterprise fund competing with private enterprise, rather than as a subsidized municipal recreation amenity.

Under the "best case" self-operational scenario prepared by NGF Consulting, Chuck Corica would return to a break-even position by 2012. However, this scenario envisions that all NGF Consulting operational recommendations are successfully implemented. Based on our review of operations at Chuck Corica, and the highly politicized culture at the facility, we conclude that it is unlikely that even the best-qualified and well-intentioned management will be able to make all of the operational changes necessary to generate enough revenue to fund needed capital improvements.

NGF Consulting believes that City self-operation of Chuck Corica will result in continued yearly operating losses, and thus further depletion of the operating reserve (unrestricted fund balance) until it is gone. This will likely be the case even if the Surcharges, ROI, and even PILOT transfers are discontinued - a policy that would bring relief in the short run, but likely not in the long run, as the issues of rapidly increasing labor costs, a hyper-competitive golf market, an aging clientele, and the politicized operating atmosphere at Chuck Corica remain.

Under the self-operation scenario, we believe that the annual transfers will ultimately swing in the opposite direction, and that the General Fund will at some point be subsidizing golf. At the same time, all major facility improvements will be precluded, further deteriorating the living, breathing asset that is a golf course. This will ultimately put Chuck Corica, which has already lost about 100,000 rounds of play over the last decade, into an untenable position as it tries to regain, or even sustain, market share in this highly competitive golf market.

As indicated by the cash flow models summarized above, a lease agreement might not provide the same level of revenue to the City that it is currently getting via the cost allocation and other transfers, at least in the short run. Also, the amount of the lease payment is subject to many variables, and may be less than projected. However, virtually all of the lease payment would be net to the City, as there likely would be little associated administrative expense other than contract oversight and compliance. (Additionally, depending on the terms of the contract, the lessee might be subject to property taxes). More important, the burden of operating risk will be transferred to the private operator, and the City will be guaranteed a minimum rent payment each year.

Finally, with a long-term lease, the private operator will likely be responsible for the majority of capital improvements at the facility (see investments made by private operators at Monarch Bay and Metropolitan, to name just two). This is a critical issue, as we have documented in this report that Chuck Corica is badly in need of improvements, all of which are currently on hold indefinitely. These improvements might be made in the early years of the lease, depending on the operator's own projections for net cash flows, and the City's willingness to potentially concede some level of rent payments in order to contribute financing to capital projects.

Through a carefully crafted RFP, the City should be able to find a highly qualified professional operator to manage and maintain Chuck Corica. The contract must be carefully constructed in terms of oversight, compliance, and other provisions, such as the City retaining approval of resident green fees, but not be so restrictive that it will not draw interest. Though the City would give much control, the lease would shift the burden of risk to the private operator, provide a guaranteed net cash flow to the City, and provide a means to fund needed facility improvements.

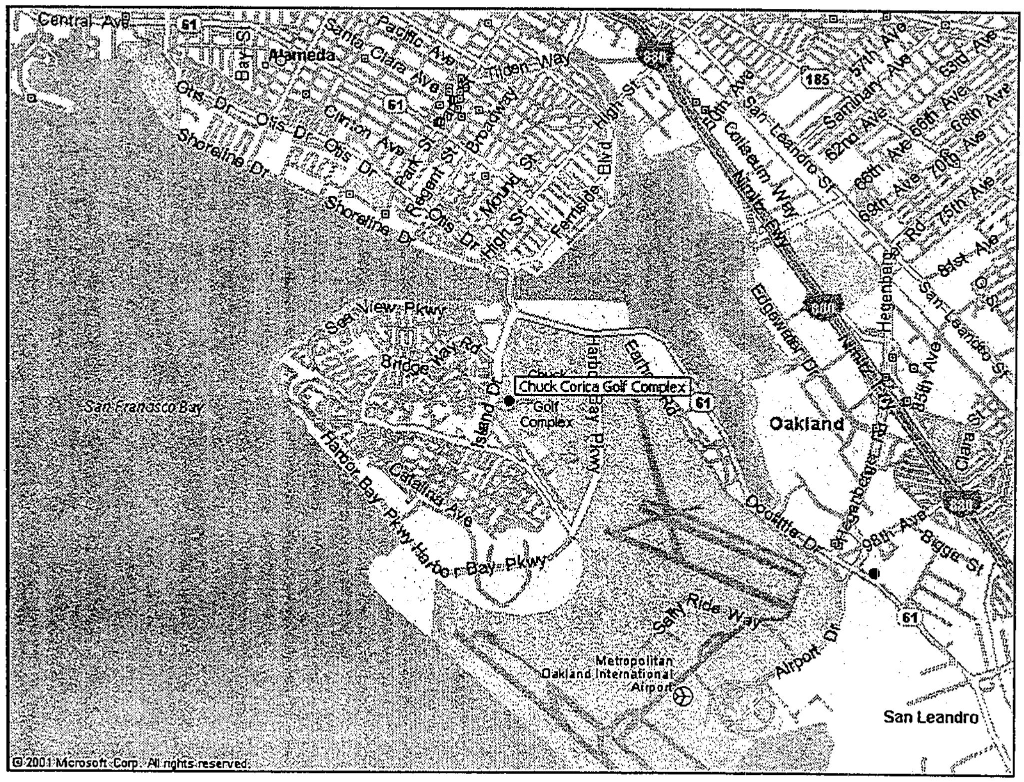
Review of Facilities

In this section of the report, we will present a historical perspective of the Chuck Corica Golf Complex, summarize the inventory of facilities, and review the physical condition and maintenance standards of the golf courses and support amenities/structures.

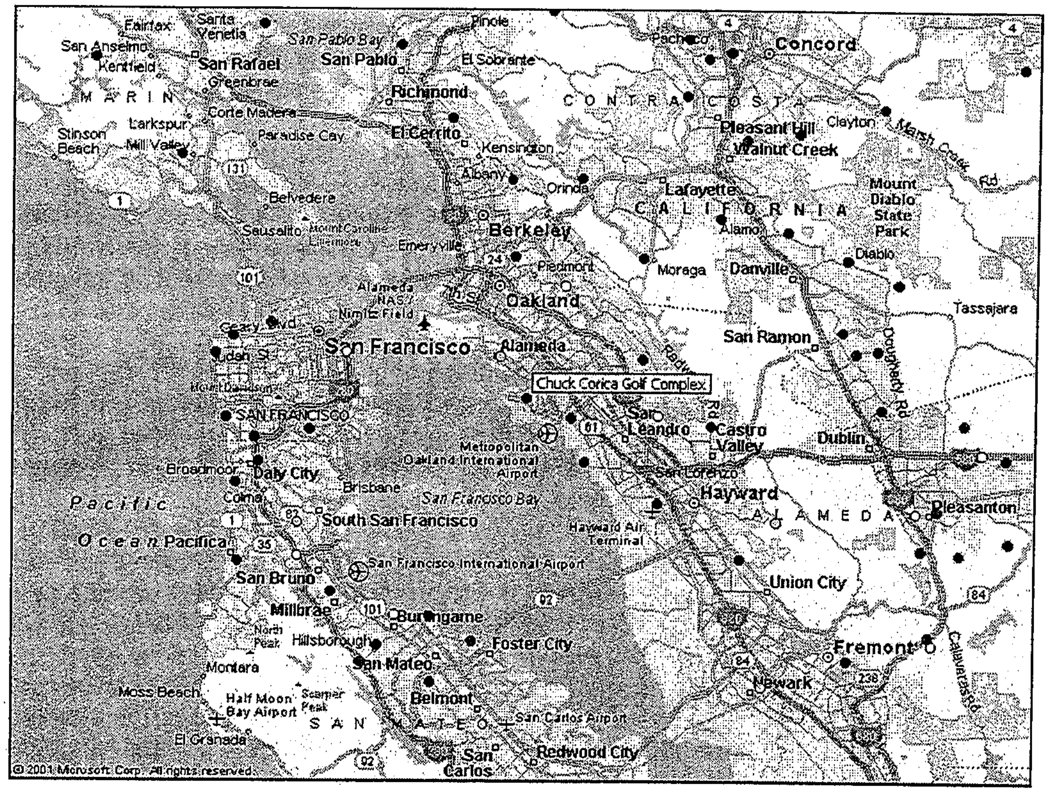
CHUCK CORICA GOLF COMPLEX HISTORY

The maps below show the location of Chuck Corica GC on Bay Farm Island, from both a local and regional perspective.

Local View



Regional View



The area now home to Chuck Corica was originally known as "Bay Farm Island." Historical accounts note that the land was "wasted farmland" and subject to high tidewaters. Ultimately 178 acres was appropriated in the 1920s by the City of Alameda to fulfill the idea to develop an 18-hole municipal golf course. The cost of the land was reported to be $125,920.16. The entire development cost was reported to be $270,670.26. At opening in 1927 the facility consisted of one 18-hole course know as the Alameda Municipal Golf Course.

An excerpt from "Alameda at Play—A Century of Public Parks and Recreation in a Bay Area City" (Alameda Recreation and Park Department; by Woodruff Minor) is as follows:

> *There had been attempts to organize a golf club in Alameda as early as 1901. The most ambitious of these unrealized schemes was the Encinal Golf and Country Club, which proposed to build an 18-hole course at the western tip of Bay Farm Island in 1922. Two years later, one of the club's promoters, Henry P. Martine, presented the City Council with a petition signed by several hundred Alamedans, requesting that the city establish a municipal golf course.*

The book's authors go on to explain how a feasibility study was commissioned and then resulted in the City acquiring a site for the golf course in 1925. Barley was planted on the land to assist in leaching salts from the soil. A seven member Golf Commission was formed to guide the development. In October 1925 the Commission engaged William J. Locke of San Francisco to design the course and supervise construction.

Locke's plan was for a 6,281-yard course of 18 holes. The course was completed in 1927 after roughly two years of construction work. Accounts explain that eucalyptus trees were soon planted to shield the course from winds, as eucalyptus does moderately well in salty soils. Earl Fry, now the namesake for the original (north) course, was appointed the first golf professional shortly after the course opened. Fry remained the head professional until his death in 1964.

After WWII the city began planning for expansion of the golf course into two courses. Property was acquired south of the original course. William Park "Billy" Bell was contracted by the city to design the second course and figure out how to integrate the existing course. According to accounts, Bell worked with his son, William F. Bell to design the second course, measuring 6,325 yards and playing to a par 72. Some changes were necessary on the original course to attain one central location for a new clubhouse.

The younger Bell had joined his father in the golf design business after WWII. William P. Bell passed away in 1953, before the expansion work was partially opened (9 holes) in 1956. An account of the Bell legacy in golf course architecture is taken from a variety of sources, including *Bunkers, Pits & Other Hazards* (by Forrest Richardson and Mark Fine; John Wiley & Sons 2005), and summarized in ***Appendix A.***

The Bell plan for Alameda continued their legacy of ingenuity and innovation in the field of golf course design. The senior Bell was known for his solid designs and bunker flair. The younger Bell, by this time, was taking over the business. Their designs throughout the western United States cover the gamut of course types, including resorts, daily-fee public facilities, private clubs, intimate executive layouts, and major championship venues. For Alameda, the pair developed a plan to make changes (subtle re-routing and some improvements) to the original course, and to create a new 18-hole course (the south course.) In doing so, the Bells helped establish Alameda as one of the few municipalities at the time with two 18-hole courses.

Problems encountered during construction were reported to stem from city-authorized dumping prior to the land being shaped into a golf course. This dumping added to the obstacles posed by high salts and the poorly draining sites. Despite these issues, the two courses (the changed original and the new, South Course) eventually opened to success and remained popular throughout their early years. In transforming the facility into two courses, the clubhouse was relocated to its present location where it served both courses from a central point, where it remains today.

Following the Bells' work, the City sought to improve the North Course in the mid 1960s. Accounts show that the North Course had become plagued with poor turf conditions and was in need of many upgrades to keep pace with a growing golf market in the region. It is very likely that contributing factors to the decline were drainage, the presence of landfill areas, and poor topsoil management as the new course was constructed.

The City looked to noted golf course architect and planner, Desmond Muirhead, for this work. In addition to adding several water features, Muirhead adjusted holes and added material on fairways, creating mounding for interest and to assist drainage in areas. Reportedly, tees, bunkers and greens were rebuilt and a new irrigation system was installed. The north course re-opened in 1967 to much acclaim. Muirhead's reputation, combined with his creative work for Alameda, gained recognition for the course, especially the combination of holes with new water features (lagoons).

Robert Muir Graves, a noted California golf course architect, redesigned portions of the South Course in 1978. Graves also made some adjustments to the North Course and assisted with the design of the Mif Albright par-3 layout.

The legacy of design at the golf courses is remarkable. The North Course may well be the last course designed by William P. Bell on which construction began before his death in 1953. The origin of both the North and South courses, having been designed by the Bells (Sr. and Jr.), is unique. While Muirhead and Graves were well known in their own practices, the Bell influence on the City's golf assets are worth recognition and should be better leveraged in all aspects of the facilities.

INVENTORY OF FACILITIES

Arriving at the golf facilities from Island Drive is generally pleasant, but can be markedly improved. A subtle sign announcing the golf course is situated in the median, but obstructed by vegetation from some traffic lanes. An old fire station and training tower sits at the entrance to the complex. This structure, which is somewhat of an eyesore, is abandoned with no firm disposition decided among City departments. Ideas have been floated to restore the facility into some type of structure that may serve as an icon for the entrance to the golf facility; some factions feel that it should be razed.

As one turns into the facility the promenade is adjacent to golf fairways lined with mature trees. Unfortunately, this is quickly replaced by a "back of house" cart facility that is deteriorating and unkempt. Beyond this decapitated barn is a massive parking lot with few signs that direct customers to the clubhouse or other areas. Those that are in place are poorly located. Off-site signs are infrequent. The city could do a much better job of announcing the facility from major roadways. This would alert visitors to the facility and would be a simple method of promoting the complex. (Recommendation)

Chuck Corica consists of three golf courses: (1) The Earl Fry Golf Course ("North" Course), (2) The Jack Clark Golf Course ("South Course") and, (3) The Mif Albright Golf Course. The practice facility is known as the Lucious Bateman Driving Range.

Earl Fry Golf Course ("North Course")

The Earl Fry Golf Course occupies the northern portion of the City's golf complex. This course is largely the original Alameda Municipal Golf Course with many original hole corridors still intact. The course is often referred to as "The North Course."

The course is an 18-hole, par-71 layout playing to 6,339 yards from the back tees, and 5,286 yards from the forward tees. Par from the forward tees is set at 72. The course, named for the original head professional, Earl Fry, has had many new features, water lagoons and other changes taking place over the past 75 years. Desmond Muirhead was responsible for the most significant changes as part of his transformation of the course in the 1960s. The two nines return to the clubhouse. There is a snack bar located at the end of the 8th hole. This snack facility may also be accessed between holes 13 and 14; and between 16 and 17. The maintenance area for the entire golf complex is situated within the Earl Fry Course.

Jack Clark Course ("South Course")

The Jack Clark is an 18-hole, par 71 course playing to 6,586 yards from the back, and to 5,310-yards from the front. Par is the same from all tees. The course has two returning nines. The course (known also as "The South Course") was established through the design of William P.

Bell and his son, William F. Bell. In 1974 the course underwent significant redesign by noted California golf architect, Robert Muir Graves. This work eliminated the far southern holes of the south course. The south course is named for local newspaper sports editor, Jack Clark. It was Clark who helped champion the movement to save the course and improve it in the late 1960s.

Mif Albright
This short 9-hole, par 3 golf course is 1,026 yards in length, with holes ranging from 85 yards to 156 yards as originally designed. Accounts are that the course was laid out by members of the Golf Commission with advice from Robert Muir Graves. The course was build by the City's maintenance staff. Mif Albright was a member of the City's Golf Commission. The course was dedicated in 1982. A short game green has recently been designated adjacent to the teaching center and within the area of the Mif Albright Course.

Lucious Bateman Driving Range and Practice Facilities
The large lighted practice facility includes 46 stalls, including 20 that are covered for use in inclement weather. The range surface, including all hitting surfaces, is artificial turf. The facility was remodeled in 1997 at an approximate cost of $2.4 million. Additional facilities include teaching stalls and indoor bays for training and video game development (the Norma Arnerich Teaching Academy, also built in 1997). Range operations are coordinated from a building that houses picking and maintenance equipment devoted for the practice area. There is also a short game practice area contiguous to the Mif Albright Course.

Clubhouse
Chuck Corica's original clubhouse was constructed in 1927, and now serves as the Grand View Pavilion. It is located alongside the #3 fairway of the North course. The current building, a single-story L-shaped structure that opened in 1955, measures about 6,300 square feet. The clubhouse includes a 1,300 square foot pro shop and a 4,500 square foot restaurant with indoor seating for 80. "Jim's at The Course" Bar & Grill is open for breakfast and lunch. The restaurant, which has a seating capacity of about 80, is in the style of a sports bar. The clubhouse building also includes men's and women's locker rooms, rest rooms, and administrative offices. The clubhouse sits appropriately near the starting and finishing holes of the two 18-hole courses. The parking lot that serves the clubhouse and golf courses has a capacity of about 420 cars.

Cart Barn
Cart facilities include two buildings - a 4,500 square foot cart storage building "A," which was built in 1995 and can store about 95 carts, and an a 2,350 square foot cart storage building "B," built in 1998 with a capacity of about 45 carts. The cart storage area is distant from the pro shop, causing logistical and efficiency problems for staff as carts must be shuttled between the cart barn and the clubhouse areas.

Maintenance Facilities / Other Structures
The maintenance facility consists of three primary buildings and a covered outdoor storage area. In all, there are 24 buildings in total that comprise the golf facilities (clubhouse, range, teaching, cart storage, maintenance, rest rooms, snack bar, etc.). On-course facilities serving the golfers include two restrooms on the North course, and one on the south. There is a halfway house, or "snack shack", on the North course.

FACILITIES PHYSICAL REVIEW

The purpose of evaluating the physical aspects of the Chuck Corica facility is to address, on a "global basis", the fundamental conditions and issues associated with the property, and to establish a baseline for where the golf courses stand today. We can then provide direction on goals, priorities and approaches that should be considered by the City as it makes parallel decisions on matters pertaining to management, operation and potential restructuring of its golf program.

It is essential to think of each of the City's golf course property as an asset. Ideally, golf courses are always in excellent condition and there is always a well-crafted plan for future improvements. In reality, this not always the case, as golf course owners and managers get sidetracked. These essential ingredients must be continually addressed and revisited.

Method

NGF Consulting utilized the services of golf architect Forrest Richardson, a member of the American Society of Golf Course Architects (ASGCA) to assist with the physical evaluations of each City golf course. Mr. Richardson has completed golf course projects in the Bay Area and is currently overseeing large restoration/renovation projects involving Bay Area microclimates and similar turf issues. Additionally, Mr. Richardson is the author of two books on golf course architecture, including an extensive work, *Bunkers, Pits & Other Hazards* (John Wiley & Sons, 2005), in which he includes significant perspectives on classic era golf course design, restoration, renovation and maintenance issues associated with older golf courses.

The method for evaluating all of the facilities involved physical tours of the Chuck Corica golf courses and interviews with key staff charged with caring for and operating the properties. Additional data, both provided by the City and secured independently, was used to ascertain the configurations, general maintenance activities and limitations of the facility. In some cases other interviews are conducted with golf course builders, golf course design professionals previously involved with the courses, and governmental agencies that have oversight or jurisdiction.

Findings are compared to similar courses and operations that have been observed both recently and over the last 15+ years by Mr. Richardson and NGF Consulting, and conclusions are made regarding the relative maintenance condition of the subject courses. Maintenance staffing recommendations are based on factors unique to each course, such as configuration, layout, turf acreage, expected use levels, and not based on any 'industry standard." Please reference the many pictures contained in ***Appendix B*** that support the conclusions made in this section.

Recommendations are derived that balance goals and objectives with reasonable expectations for improvement and/or preservation of each golf course asset. It is typical that recommendations are prioritized, but in some cases it may not be possible to determine a priority without further study. Without specific study and preparation of detailed plans it is not possible to accurately arrive at final cost estimates for improvements to golf courses. Therefore, any estimates given should only be considered as general ranges for use in planning and budgeting.

Mr. Richardson visited and inspected the subject facilities in June 2007. The evaluation covers the base facilities - the golf courses, golf amenities and maintenance operations. More in-depth study, evaluation and analysis may be required to act upon any conclusions presented within this report.

Site Overview

The setting of the three courses and facilities is unremarkable, especially with the heavy planting of trees around the property. This, combined with the adjacent industrial and airport areas, residential neighborhood and parkway roads, creates an urban feel that is offset only by the great location and access. What were once great territorial views across the bays are now primarily secluded views to within the golf courses. Indeed, the once tremendous orientation of the original golf course against the water is long gone in favor of airport expansion and a nearby solid waste landfill. The original Alameda Municipal Golf Course could be classified as a links course, built on the shores of a natural waterway with open views and vulnerable to wind.

The movement to plant trees is an interesting topic. From one standpoint the wind was seen as a problem. In reality, wind provides much interest to the game of golf, and the presence of wind is a hallmark of many of the greatest courses in the world. Certainly there is a benefit to buffering the course from roadways and off-site uses, such as the airport, buildings and surrounding neighborhood. However, trees have also caused significant maintenance issues and many are in decline due to the high water table and root bound growth. At present, trees are an inherent part of the site and must be dealt with effectively. Many of the trees are assets, yet there are also many that are detriments.

The land of the Chuck Corica complex is mostly flat. The most interesting feature is the primary waterway that runs through the courses. This feature shows up very clearly on early aerial imagery, although trees have cut off the relationship of the golf holes to the water in many areas. Quite unfortunately, the maintenance facility now occupies the banks of this small river as opposed to a golf hole that was evident under the original course.

Site Characteristics

The property on which the courses and facilities sit is lowland, surrounded by waterways in recent times. Areas of the complex are as much as three feet below sea level. The courses are located at the northern reaches of Bay Farm Island. Historically, Alameda was once a peninsula and was later divided from the mainland to create an island. While Bay Farm Island was once an island, it later became a peninsula through land reclamation, adjacent to the Oakland Airport. The site was once used as farmland. This historic use, as well as dredging and use of some areas as a landfill, contributes to marginal soil conditions for proper turf growth.

The landfill aspects of the site are known through a detailed study from the early 1970s. In summary, trash fill occurs under the 12th and 13th holes of the Jack Clark Course, with garbage fill interred below several other areas, including the 1st, 7th, 9th, 14th, and 18th holes of the Jack Clark Course, as well as portions of the practice range. The presence of waste below golf holes poses problems, but is mostly evident due to the likelihood of poor topsoil management during all aspects of landfill and golf construction. This may have been unavoidable, as soils appear to be generally poor throughout this area. However, more careful management of soils as the courses were remodeled and changed could have produced better topsoil conditions. Settling of areas of interred waste is also an issue.

Groundwater is evident at depths as shallow as 2.5 feet (sources: Maintenance staff and Treadwell & Rollo report dated February 2, 2006, "Geotechnical Investigation/Chuck Corica Golf Complex".) High groundwater makes it difficult to drain soils, thereby increasing the likelihood of retained salts in the soil. Retained salts contributes to poor turf growth. Conditions are exacerbated when water quality may already be high in salts and when irrigation and drainage is inadequate. All of these negative influences appear to be present at the site and are now realities of trying to maintain good turf and conditions.

An additional contraindication in soil quality for golf courses is the effect of upward pressure in soils with saturated or high water tables. At certain times it is likely that drainage and the associated downward migration of salts is hampered by moisture being stagnate in soils or limiting downward migration. Salts in such soils may actually rise to the surface, further contributing to poor growth of turfgrass, trees and other vegetation.

Prevailing winds are from the west across the site, which totals 328 acres. There are eight primary lakes (lagoons), plus the primary waterway and ancillary sloughs and ditches used for drainage. A perimeter system of drainage ditches and waterways serves to drain the adjacent residential and commercial property, as well as roadways that serve the Alameda (Bay Farm Island) area. The waterways are reportedly under the purview of the Alameda Public Works Department, although very little management is evident. Most waterways are clogged with debris and overgrown vegetation.

At the far south end of the South Course an area is defined as a "Protected Habitat", although there is little information that appears to be available about the history of this demarcation. Bordering the golf course at the south end is an area of piled debris. Staff notes that this is inert and organic debris, including soils. This area is reported to be part of the golf course parcels, but is unused. No recent dumping appears to be taking place.

General Conditions

The courses are generally behind in maintenance. Some areas are well kept while other areas appear as if they have been neglected. In reality, no areas are likely to have been 100% neglected. Closer inspection reveals that maintenance staff do their best, despite old and outdated infrastructure, even in areas that exhibit poor conditions. This is especially true on the South Course where adequate irrigation and drainage is lacking in nearly all areas.

Even considering the volume of play, price points, and market position of Chuck Corica, the Alameda golf complex is below average in terms of overall conditioning. As evident in the accompanying photographs (see ***Appendix B***), turf, tree care and other areas are in need of significant improvement. Many areas of the golf complex appear run down, outdated and unclean. Some areas are in contrast as they are newer or have recently been upgraded and/or replaced. Unfortunately, the customer often focuses on poorly conditioned areas and areas that are unkempt. These lasting impressions are generally what define a golf operation.

Turfgrass

Turfgrass is a menagerie of ryegrass, kikuyugrass, Bermudagrass and bentgrass. Fairways of the North Course are approximately 30% kikuyugrass with mostly ryegrass accounting for the balance. Shaded areas (such as areas under trees) affect and determine which varieties will grow best. Bentgrass is mostly seen on greens and areas around greens, although some has migrated to other places where it thrives. Fairways of the South Course are near 80% kikuyugrass. Poa annua has infested most of the bentgrass turf at greens. Poa in itself is neither uncommon nor necessarily undesirable. At this locale it seems to be an unavoidable situation to rid all bentgrass greens from poa annua. Staff does an admirable job working with the poor soils and poor drainage, two issues that are detrimental to healthy turfgrass.

Tees

Tees are mostly adequate in size and offer variation of yardage length (see comment below.) Some tees need to be larger, especially at par-3 holes. Orientation is mostly good, aligning golfers along preferred lines of play. Tee surfaces are not always level and turfgrass appears marginal in many places. In-house work over the past several years has attempted to restore tees and re-level surfaces. These efforts have paid off with better tees on many holes. However, some new tees have been added in areas that may pose safety issues. Divots are not well managed and turfgrass growth suffers where heavy use is evident. Additionally, forward tees should be added to allow for the 18-hole courses to play at a length of 4,500 to 4,800 yards, a length that is appropriate for some classifications of golfers.

Fairways & Roughs

Fairways and roughs are in decent condition despite the varying varieties of turf. Ruts from cart traffic and maintenance equipment are an on-going problem. Because fairways do not drain properly, wet spots lead to rutting. There seems to be little control of carts by the operation staff when conditions are wet. This issue is made worse by the lack of care exhibited by customers during wet conditions. The destruction caused by rutting may be among the most pressing issues for fairways and roughs. Fairways are aerified one time per year, which is insufficient. Fairways need to be aerified more frequently, perhaps as often as every four months in order to open surface soils and allow penetration of oxygen for roots. Fairways are overseeded (interseeded) with perennial ryegrass in the Fall.

Greens

There appear to be no major, chronic problems with greens at the North Course or Mif Albright Course. The North Course greens are newer (approximately 15 years old) and therefore drain better. In recent years some greens have been re-built by in-house staff. The Mif Albright greens were reportedly constructed with adequate drainage. Greens at the South Course drain slowly or, in some cases, hold water for long periods. Greens are generally 60% poa and 40% bentgrass, although percentages vary on many greens and areas of greens. Greens are overseeded with Dominant Bentgrass.

Maintenance of greens is considered average, except at the Mif Albright Course where less attention is placed on care and frequency of care. Greens (on the 18-hole courses) are reported to be aerified up to three times per year, which is adequate. Verticutting of greens is done at four-week intervals, although operations staff dislikes this frequency because it is perceived by customers as "poor conditions." Therefore, verticutting is sometimes deferred. This is a compounding problem: less frequent verticutting can lead to worsening and chronic problems. Very likely this is a contributing factor to problems that do present themselves at green surfaces.

Greens (on the 18-hole courses) are topdressed with pure sand lightly about every week. Rolling is performed on a regular basis, according to staff. Aerification is undertaken twice per year, in the Spring and Fall. Greens are mostly small in size, and many greens have shrunk in area over the years due to mowing patterns that keep reducing the perimeter. As time goes on, greens lose their original shapes and area. Greens at the two 18-hole courses are estimated to be 70-80% of the original size in nearly all instances.

Trees

Trees, in general, are in terrible shape. According to staff, no arborist is called in to help manage or care for trees, nor is there a golf course architect consulted. Staff simply removes old trees as they die and trims trees as time and resources permit. New trees are planted with no oversight beyond on site staff. Ideally, tree care and policy should be well documented in a master plan. Care of trees at the complex is being implemented with no long range plan or thought to the many issues that are affected by trees, such as design, strategy, turf health, views, etc. Tree roots are at the surface in almost all areas. This is a byproduct of high water tables and unsuitable growing mediums in the saturated soils. Varieties are often ill-suited to such conditions. Cypress are dying out due to age. (See accompanying photographs.)

Cart Paths

Cart paths are also handled as needed and with no professional oversight. Many paths were installed by City crews and appear as sidewalks - not wide enough, and following straight lines with hard-to-maneuver bends. Cart paths are compromised by tree roots, poor drainage, cracks (likely due to expansive soils and poor compaction), and use by maintenance equipment that is heavier than standard golf carts.

Cart Fleet

The City has recently renewed its cart lease renewed with EZ GO, and has reduced the fleet from 150 to 120. Chuck Corica will now have new carts, and the monthly expense will be reduced by about $700 per month.

Range (Artificial Turf)

The practice range is covered with artificial turf. This turf is showing age, even though it is barely 10 years old. The warranty period has reportedly elapsed. Artificial turf is tearing, coming loose and wearing out. The remedy for this is repair and/or replacement. According to City staff it has not proven practical at the range, considering the high use rate, to revert to natural turfgrass. Our findings support staff's position, even though natural turf would be a benefit, especially at hitting areas. Several factors contribute to the appropriateness of artificial turf: available land (depth of hitting area), high use rates, shaded (covered) areas, and the growing climate and seasons.

Irrigation System(s)

In 2001 the irrigation system of the North Course was replaced. This new system has dramatically improved conditions and the ability of staff to control water delivery across this course. In 1998 the pump station was replaced at the North Course.

The irrigation system on the South Course is very old and has a mixed collection of parts, controllers and sprinkler heads. The main lines are of older pipe type and not likely to remain viable. Some areas of the South Course are not covered well (or at all) and require hand watering or temporary watering with roller base sprinklers. The pump station at the South Course is old and needs replacement.

The Mif Albright (par-3) Course is watered with an adequate system, but it is showing age. Some ancillary pumps at lagoons (fountains, transfer pumps, etc.) appear to be in need of replacement or significant repairs.

The entire irrigation and lagoon system is very complicated. Efforts should continue to simplify the system and look for ways to improve water quality. Methods that should be explored are additional aeration, recirculation, and sulfur burning units. Of great concern is the very large area being irrigated and managed by the City – 260 acres of turfgrass, all of which needs continual irrigation, fertilization, drainage, mowing, weed and pest control, and staff attention. If the total area, for example, were reduced by 20% it would equate to shedding 52 acres and the associated resources, labor, costs and replacement concerns of irrigation. A reduced area of 52 acres is essentially equal to a 9-hole golf course in terms of turf coverage.

Drainage

The courses and facilities are located, as noted, on flat sites in a naturally low area. While in house staff has performed drainage mitigation measures consisting of French drains and drainage basins with outfall pipes to sloughs and lagoons, this falls short of resolving drainage woes. Staff's efforts have proved successful in specific areas and have been positive to take care of generally small areas of localized drainage problems. Given that the courses serve the community as a drainage basin and conveyance, the courses are inherently prone to periodic flooding and the associated wet conditions. However, a master plan for drainage prepared using more positive drainage measures than gravity lines would prove fruitful for the course and playing conditions. A host of resulting positive outcomes would be evident – improved turf conditions and quality, cart path integrity, bunker conditions, and irrigation coverage.

Safety

No in-depth study or analysis was made of safety issues or conditions. Note is made that the City has paid out on claims arising from windshield breakage from errant golf balls along Harbor Bay Parkway. This situation might be improved with a planned renovation and adjustment to tees along this roadway, and associated landscape additions under the direction of a professional golf course architect. As noted above, some new tees have been added in suspect locations that may be vulnerable to other golf holes. Again, professional guidance in lieu of decisions by maintenance or operations staff is a better approach for the City. The following areas should be addressed in terms of safety: golf orientation along roadways; appropriateness of tees and set-backs to adjoining holes; cart path alignments; lagoon and slough banks; tree health (from falling branches); tree root intrusion to surface areas (at turf and playing areas); and, signage.

Maintenance (General)

Maintenance management seems to care about the course and does its best with the equipment and resources available. There are 18 personnel on the maintenance staff, plus two part time workers. The staff breakdown is 14 grounds workers, two leaders, one mechanic and a head superintendent. For the amount of managed turf (260 acres) and number of golf holes and greens, this falls short of industry standards. Maintenance staff for a complex of this size should be in the range of 22-28, with two designated mechanics to keep equipment running smoothly. Staff requirements will vary depending on training, skill levels and nuances of the courses.

Waterways & Lagoons

There are eight primary lakes (lagoons). The waterways (sloughs) connect these lagoons and serve to drain perimeter and off-site areas. The complex also drains into the waterways and lagoons. The nature of such sites, where waterways and sloughs drain off-site and on-site areas, is such that a careful balance must be maintained to ensure positive flows within the waterways, surface access for water to be conveyed to the waterways, and on-going management of the waterways themselves.

Water (from off site and on site) is collected in the large lagoon at the northern portion of the North Course (Hole No. 5). From this lagoon, water is pumped into the adjacent bay. The pumping procedure and frequency is handled by the City's Public Works Department. This relationship seems to work according to golf maintenance staff.

According to information received from the City, waterways and sloughs are under the purview of the Alameda Public Works Department. Golf course staff reports that very little, if any, maintenance has taken place over the past 30 years. There seems to be a discrepancy about whether perimeter waterways and waterways on the course parcels are subject to the same maintenance agreement. This is compounded by the uncertainty of whether certain lagoons are also subject to maintenance by the Public Works Department. Ideally, all waterways and connected lagoons, since they are a part of the same system, should be maintained by the same entity and have the same oversight.

The primary issues of maintenance of waterways and connected lagoons are vegetation control (pampas grass, blackberries, cattails, etc.), silt removal, and bank re-stabilization. Some concerns were raised whether maintenance might trigger Army Corps of Engineers (ACOE) approvals. This report does not answer that question, but a point is made that on-going maintenance ("deferred maintenance") of waterways used for the purpose of protecting the public from stormwater flooding and in facilitating day-to-day drainage through designated easements does not generally require approvals. The reason is simple: on-going maintenance is typically a requirement of drainage easements and usually occurs so periodically that individual approval for maintenance operations would be impractical.

Typically, only changes or modifications (not adjustments associated with maintenance or "deferred maintenance") would be subject to new approvals. Drainage waterways, such as those at the subject golf course operations, are convenient locations for drainageways that are crucial to the public flood protection system in both upstream and downstream locales. The City is urged to maintain the waterways and lagoons in order to keep positive flows and adequate drainage conditions.

At two points on the property it was noted that equipment was being washed with insufficient filtration between the wash area and the waterways. One was at the cart barn; the other was between primary maintenance buildings. A solution to these situations may be a simple band of native grasses planted in a low basin where wash water can be collected before draining into waterways. Alternatively, catchments are manufactured with membrane filters to catch sediments and pollutants. Either approach should be considered.

Maintenance Facility

The maintenance area is generally in order, although there is debris around the buildings and grounds that should be removed for a better overall appearance and orderly operation. Old equipment that is junked should be hauled to landfills or sold as scrap metal.

The equipment being used appears well cared for, although much of it is older and will need replacement in coming years. The buildings are aging and in need of numerous repairs. The storage building for chemicals needs a new door, for example. Maintenance management has a good idea of capital needs and does a good job communicating needs to City management. In the case of the needed door at the storage building, the on-site maintenance personnel have found a way to repair and replace the door. The approach of getting things done seems to work well with the existing staff. In another instance, an old well (used long ago for irrigation) began producing water at the surface. This well was under portions of the maintenance area and was causing issues to pavement and storage areas. Again, the on site staff built a drainage system and resolved the issue with little or no extra costs.

Irrigation Water

Historically, well water was used to irrigate the golf course(s). This eventually proved contraindicated, as water quality was extremely poor. A recent analysis (June 2006) shows well water at the site to be unacceptable for use on turf. In summary, well water shows high levels of chlorides, sodium and soluble salts. Mitigation of this water would be costly and likely would not achieve a desired result.

Recycled water used at the course is acceptable. Still, chlorides, sodium and soluble salts are higher than desirable. Staff reports that this water, when periodically blended or augmented with potable water, achieves acceptable results for turfgrass growth. However, staff also is quick to point out that many turf and condition issues can be traced to water quality issues.

Effluent water, even though marginal in quality, reportedly costs $350,000 per year. Potable water is typically used twice per year as augmentation to help flush salts and other elements from soils. This practice is good and produces results that refresh turfgrass, according to staff.

Summary Conclusions – Earl Fry (North) Course

This course represents the City's most valuable golf asset. The Earl Fry Course has a legacy of Billy Bell design, yet this is missing from nearly all aspects of the current course. Trees have clogged the landscape, bunkers have been lost to years of neglect and change, and greens have shrunk in size. Sadly, what Bell created following the original course, has all but been lost to decisions and actions that have never considered his design or strategy.

In recent times needed improvements have been made to the irrigation system, but it is unfortunate that these improvements were not made in the context of a more global vision for the golf course. For example, the new system could have been planned so that some areas of turf were eliminated from managed care. In other areas it may have been good to have implemented changes to the golf course for design, aesthetics or playability. This ability to make improvements along with irrigation (infrastructure) is now lost and cannot be recovered. Additionally, drainage (which is severely needed) should have been attended to along with irrigation work and the inconveniences of trenching. While some work was done, it was just here and there work.

Changes to bunkers, added bunkers and other changes to the golf course have not taken into account the historical asset and original design(s). There is no master plan or foresight that has considered the golf course from an overall perspective. While the Golf Commission, General Manager, Superintendent and/or professional staff typically weigh in on proposed changes, very few proposals have been professionally designed, planned or implemented. The result is a hodge-podge of design styles, tree plantings and some occasional improvements.

The Earl Fry Course could - and should - be regarded as a sought-after venue for local residents as well as visitors to the Bay Area. With well-thought out facility improvements, the golf experience, rather than price, should become the driving force in attracting play and customers. To accomplish goals, the City needs to focus attention on making improvements to the golf course under a formal plan. The days of placing band-aids on the course, or making isolated decisions without careful planning, should be discontinued.

Improvements recommended for the Earl Fry Golf Course are as follows (not in order of prioritization - please see end of this section for prioritization):

- Develop a master plan and marketing strategy
- Rebuild remaining tees; add tees and adjust some existing tees
- Rebuild bunkers to the "Bell" style
- Reclaim greens surface area; expand some greens

- Develop and implement master drainage plan
- Re-work lagoon and slough banks; add aeration and re-circulation
- Develop arbor plan for removal, trimming and nominal replanting
- Replace cart paths
- Reduce managed turf by 20 acres
- Eliminate the snack bar facility
- Add screening to maintenance facility
- Complete remaining irrigation upgrades
- Remodel course restrooms

Summary Conclusions – Jack Clark (South) Course

This South Course offers a different golf experience than the North Course. The City needs to capitalize on this aspect, further distinguishing the courses from each other. The golf course is in need of numerous improvements, the most pressing being a new irrigation system replacement from top to bottom. Unlike the work at the North Course, we make a strong recommendation that this irrigation work be undertaken only with an integrated approach to global course remodeling. Not only will the end product be better, but also the investment will be much more efficient and the sum of parts will be greater than if this is attempted independently.

To accomplish goals, the City needs to make significant improvements, essentially remodeling the full golf course from end to end. As with the North Course, a formal plan needs to be developed. Improvements recommended for the Jack Clark Golf Course are as follows (again, not in order of prioritization):

- Develop a master plan and marketing strategy
- Rebuild tees; add tees
- Rebuild and add bunkers
- Rebuild greens
- Develop and implement master drainage plan
- Re-work lagoon and slough banks; add aeration and re-circulation
- Develop arbor plan for removal, trimming and nominal replanting
- Replace cart path sections
- Reduce managed turf by 30 acres
- Replace irrigation system
- Remodel course restroom

Summary Conclusions – Mif Albright (Par 3) Course

From a purely business standpoint, NGF Consulting recommends that the Mif Albright Course be closed. Play has declined precipitously over the last five years, and City and golf complex staff report that the short course is a money loser (there is a full-time dedicated maintenance worker, and revenues have fallen to about $130,000). Our conclusion might be different if the Mif were an integral component of the facility's teaching or Junior programs, but we are told that very little of the play on the course is related to teaching, or even beginners trying to learn on their own. Additionally, the adjacent short game practice area has robbed the course of some of its integrity, and has supplanted the short course as the means by which established golfers practice their short games.

If the course were to be closed and maintained simply as open space, there would undoubtedly be cost savings. Additionally, the City could then pursue other opportunities for the land (as it reportedly has done in the past). Even if the current zoning remains in effect, it may be possible to find a private entity that would be interested in opening a revenue-producing recreational use via a ground lease agreement.

Should the City decide to keep the Mif open, focus should be on improving conditions and, over time, improve features, playability, and safety. In making improvements, it is recommended that the City *not* be tempted to make the course "easier" or "more open", for it is these qualities that will label the course forever. Rather, it is a careful blend of hazards and challenges that *make* a golf course fun and exciting. The beginning golfer does not yearn for a lame course with few hazards. The child taking lessons does not want to feel relegated to a course of "easier" quality, even though that may be the case. And, certainly, the avid golf enthusiast does not go out of their way to play a short course unless it has something to offer.

To attain a status that would be fun and enjoyable for all, the Mif Albright Course must adopt more alternative tees, slightly larger greens and a dose of hazards that are carefully positioned to test the better player, but avoidable by the lesser player or beginner. To accomplish these goals, the City needs to adopt a formal plan. Our recommendation is that this plan considers a majority of the work as in-house projects. This will reduce the investment resources and allow the work to be carried out over a year or more. Improvements recommended for the Mif Albright Golf Course are as follows:

- Develop a master plan and marketing strategy
- Add tees (for optional play)
- Rebuild and add bunkers
- Expand some greens
- Develop arbor plan for removal, trimming and nominal replanting
- Reduce managed turf by 4 acres

Summary Conclusions - Lucious Bateman Driving Range

This practice facility is fairly modern and updated. The unfortunate reality is that the artificial turf and some areas of netting have deteriorated and need replacing. Staff reports that the warranty period was recently complete. It is even more unfortunate that problems were not reported during the warranty period. Tears in the surface, as well as the general contour of the landing area, make ball picking an arduous and inefficient process. Additionally, balls by the hundreds collect near the base of the netting due to the slope and must be hand-picked.

Improvements recommended for the Lucious Bateman Driving Range, which should make maintenance and ball-picking more efficient, are as follows:

- Repair and/or replace artificial turf areas
- Repair and/or replace netting

General Facility Summary Conclusions

The Chuck Corica Golf Complex represents a unique and historic golf asset in the Bay Area and Northern California. Hallmarks of the facility are:

- The presence of two "Bell-designed" courses
- Two 18-hole courses of potentially distinct style
- A par-3 course
- A major teaching and practice range
- Ample acreage for facility expansion
- Natural and manmade waterways and lagoons
- An urban setting with easy access

General physical improvements recommended for the overall facility are as follows:

- Develop a master plan for the clubhouse area (replacement, consolidation and additions)
- Plan and develop a banquet/event facility
- Relocate cart storage
- Re-work entry landscaping, signage and arrival experience
- Replace all signage
- Upgrade maintenance facility areas

Prioritized Capital Improvements and Preliminary Cost Estimates

Based on our physical evaluation of the Chuck Corica Golf Complex, we have prepared the following prioritized plan for capital improvements at the facility. Based on several factors, not the least of which is the current lack of funding available for *any* projects, NGF Consulting has concluded that the clubhouse replacement issue (discussed at length later in this report) is one that should be considered only after the golf courses have been addressed.

The recommendations we have made for the golf courses, if implemented in conjunction with recommended operational improvements, should produce more "bang for the buck", especially given the capital budget limitations. The old adage that golfers will forgive almost anything if the golf course is in good condition is, to a large extent, true. (As we will see, the results of our Golfer Survey Program at Chuck Corica reveal that the clubhouse is far down on the list of recommended improvements at the facility).

Of course, the number one priority, and one that will provide a vision for Chuck Corica, is establishing a master plan to govern the implementation and timing of the capital improvements, and to guide the facility into the future. As noted, the major caveat in this discussion is that there is currently no money available to fund anything at this time, and the CIP has been put on hold. Therefore, the recommended improvements may essentially represent a wish list. However, in this highly competitive environment, the City must find a way to improve the product offered at Chuck Corica. In conjunction with operational recommendations made later in this report, these improvements should ultimately result in a much healthier municipal golf system.

The plan presented below assumes that the City closes the Mif Albright course. However, should the City decide to keep it open, NGF Consulting recommends developing an in-house program to upgrade the course. Improvements would include adding tees, rebuilding and adding bunkers, expanding some greens, developing an arbor plan, and reducing managed turf by four acres. A rough estimate of cost for these improvements is $200,000.

It should be noted that the cost estimates listed below represent a rough estimate, and could change dramatically one the City went through the RFP process. The estimates are intended to present a middle range of costs, and do not have contingency built in. Therefore, actual costs could be considerably higher, and almost certainly will go up with time.

Chuck Corica Golf Complex: Year 1 Proposed Plan	
1. Develop Full Master Plan for the Complex • Clubhouse area replacement • Consolidation and additions and all golf facilities	$60,000
2. Build temporary banquet facility; concrete pad and a nicely designed permanent roof structure w/ "catering" kitchen, sinks, etc.; improve parking lot lighting	$2,000,000
3. Fix/repair artificial turf at range	$1,000,000
4. Improve South Course: • Rebuild tees and add tees • Rebuild and add bunkers • Rebuild greens • Develop and implement master drainage plan • Re-work lagoon and slough banks • Add aeration, and re-circulation • Develop arbor plan for removal, trimming and nominal replanting • Replace cart paths sections • Reduce managed turf by 30 acres • Replace irrigation system	$3,000,000
5. Add course restrooms	$40,000
6. Re-work entry landscaping and arrival experience • Replace all signage	$140,000
Rough Estimated Cost	**$6,240,000**

The renovation of the South Course will require the closure of the course in 9-hole phases, with eight months necessary for each 9 holes. (It is not recommended that the improvements be done on a "piecemeal" basis, as this has been a main source of problems in the past, and will likely result in a significant premium to the overall cost). The annual cost savings associated with reducing the maintainable acreage of the South Course is estimated to be about $40,000, due to less turf care and irrigation repairs, and reduced water and electricity.

Chuck Corica Golf Complex: Year 2 Proposed Plan	
1. Improve North Course: • Rebuild remaining tees • Add tees and adjust some existing tees • Rebuild bunkers to the "Bell" style • Reclaim greens surface area • Expand some greens • Develop and implement master drainage plan • Re-work lagoon and slough banks • Add aeration and re-circulation • Develop arbor plan for removal, trimming and nominal replanting • Replace cart paths • Reduce managed turf by 20 acres • Eliminate the snack bar facility • Add screening to maintenance facility • Complete remaining irrigation upgrades	$3,250,000
2. Rebuild North Course Restrooms	$40,000
3. Upgrade Selected Maintenance Facility Areas	$150,000
Rough Estimated Cost	**$3,440,000**

The renovation of the North Course will also require the closure of the course in 9-hole phases, with eight months necessary for each 9 holes. The annual cost savings associated with reducing the maintainable acreage of the North Course is estimated to be about $20,000. The ultimate objectives of the facility improvements are to preserve these valuable assets, create a stronger price/value proposition for Chuck Corica, and better position the club to compete in this highly competitive environment in both the short- and long-term. *NGF Consulting believes that this plan will also allow the City to create a stronger price differential between the Earl Fry and Jack Clark courses, as well as between resident and non-resident rounds.*

As noted, NGF Consulting feels that replacement of the clubhouse should be viewed as a longer-term objective, as long as the building is structurally sound. Relocation of the cart storage facility is also considered a future project.

Summary – Review of Physical Assets at Chuck Corica

The Chuck Corica Golf Complex benefits from having two 18-hole golf courses with the potential to offer unique and rewarding golf experiences. Remodeling throughout the years has been less than optimal, as no master plan exists for how the work should be prioritized or positioned. Past efforts have been hit-or-miss, and largely reactionary. With proper planning and execution, the City of Alameda can shape the future of Chuck Corica, ultimately bringing the facilities back to the grandeur and reputation they once enjoyed.

Opportunity exists to position each City course uniquely, taking advantage of strengths associated with each course. For example, the Earl Fry Course is classic and features an attractive parkland setting. The legacy of William P. Bell as designer is a fact that is lost on most customers—not to mention employees. The Jack Clark Course has potential to be transformed into a "must-play" course of extreme challenge and appeal. Pride and quality can be restored to the historic City of Alameda golf asset.

It is important to note that none of the recommendations will be realized to their fullest under the "old" method of allowing change to happen in a vacuum. The policy of small changes here and there, annual replacement activity without regard to an overall master plan, or attempting isolated improvements in lieu of major change, will not suffice. Though this old system may not amount to a waste of funds, it will not have the desired - or needed - impact.

For this reason we recommend that the City undertake a global master plan for the Chuck Corica Golf Complex. During the process, input should be sought from golf course operations and maintenance staff, City officials, the Golf Commission, citizens, and patrons of Chuck Corica. The master plan effort should involve the services of a qualified golf course architect (member of the American Society of Golf Course Architects/ ASGCA), and a qualified golf facility planner. Following the development of a master plan, the City will have a viable tool to use in implementation, further prioritization and budgeting.

This report outlines initial recommendations and priorities based on the limited scope of the report. These recommendations are intended to be guidelines for future considerations. ***The common goal driving the identification and prioritization of improvements has been the strengthening of the City's golf asset.*** When the City's asset is preserved and positioned for the future it is possible to offer a better golf experience and better service, ultimately resulting in an increase (or, at the least, a preservation) of market share in this highly competitive environment.

Market Environment

In this section of the report, NGF Consulting will provide a summary of important factors that characterize the trade area in which the Chuck Corica Golf Complex operates. This overview will include an investigation of basic demographic and economic variables that have the potential to affect the economic performance of the golf facility, as well an analysis of the public golf market.

MARKET AREA OVERVIEW

Demographics Summary

Utilizing research materials provided by Applied Geographic Solutions, Inc. (a supplier of demographic research based on U.S. Census results), NGF Consulting has examined relevant characteristics of the local population. In the following table, NGF Consulting indicates the population, median age, and median household income trends for Alameda and Contra Costa Counties, as well as 10-, 20-, and 30- mile market rings surrounding Chuck Corica Golf Complex, the State of California and the total United States. More detailed demographics are provided in the tables of ***Appendix C.***

	10 mi	20 mi	30 mi	Alameda County	Contra Costa County	California	U.S.
Summary Demographics							
Population 1990	908,111	3,030,632	4,119,339	1,279,184	803,738	29,759,153	248,709,429
Population 2000	985,904	3,335,841	4,567,285	1,443,741	948,816	33,871,640	281,421,211
CAGR 1990-2000	0.83%	0.96%	1.04%	1.22%	1.67%	1.30%	1.24%
Population 2006 Estimate	982,360	3,324,558	4,598,682	1,453,230	1,034,573	36,861,522	299,086,923
CAGR 2000-2006	-0.07%	-0.07%	0.14%	0.13%	1.75%	1.71%	1.23%
Population 2010 Projected	980,107	3,320,738	4,622,044	1,461,460	1,106,471	39,243,835	313,516,904
CAGR 2006-2011	-0.05%	-0.02%	0.10%	0.11%	1.35%	1.26%	0.95%
Median HH Inc	$52,145	$68,155	$71,256	$64,564	$73,387	$54,444	$48,443
Median Age	37.6	38.8	38.5	36.7	37.5	34.6	36.5

CAGR = Compound Annual Growth Rate
Source: Tactician Corporation, Applied Geographic Solutions, National Golf Foundation

From the data collected for this study, NGF Consulting has made the following observations regarding the demographics of Alameda and surrounding areas:

- The subject markets are dense, with 2006 estimates of nearly one million people living within 10 miles of Chuck Corica, more than 3.3 million living within 20 miles, and just fewer than 4.6 million living within 30 miles. Alameda County is home to 1.45 million residents, while neighboring Contra Costa County has 1.03 million permanent residents. The population of the 10-mile and 20-mile markets, as well as the overall San Francisco MSA, declined marginally between 2000 and 2006. Growth in Alameda County has been modest since 2000, while Contra Costa County has added nearly 72,000 new residents over that time.

- The Median Ages in the subject market areas are moderately higher than the national median age of 36.5 years, and considerably higher than the State of California's median age of 34.6 years. In general, the propensity to play golf with greater frequency increases with age, making relatively older markets more attractive to golf facility operators, all other factors being equal.

- The Median Household Income within 10 miles of Chuck Corica is $52,145, or 7.6% higher than the national median. Incomes in the other subject markets are between 33.3% (Alameda County) and 51.5% (Contra Costa County) higher than the national median. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents. Of course, these high figures are mitigated considerably by the extremely high cost of living in the Bay Area.

Economic Overview

In addition to identifying demographic trends and characteristics of the area, we have examined certain economic indicators and other mitigating factors that have the potential to affect the performance of the Chuck Corica Golf Complex. Below are some key observations regarding the local and regional economies.

City of Alameda

- Alameda is a city rich in history, and the island's 12.4 square miles are characterized by Victorian homes on tree-lined streets. Alameda was recently nicknamed "Silicon Island" due to its increasing number of high technology firms. The City enjoys a favorable climate, and features historical business districts, and numerous recreational opportunities for its 74,405 residents.

- The city's success in attracting high-tech companies is evidenced by the concentration of software, programming, networking, peripheral manufacturing, alternative transportation, biotech and related service companies. Over 200 high-tech businesses are located throughout the city in the Harbor Bay and Marina Village business parks, and the Lincoln Alameda Center.

- The Alameda Reuse and Redevelopment Authority (ARRA) Board unanimously approved entering into an exclusive negotiating agreement (ENA) with SunCal Companies to redevelop the former Alameda Naval Air Station, now known as Alameda Point. The 770-acre project will create a significant mixed-use waterfront community that will include roughly 1,800 housing units, offices, retail stores and parks. Though the Navy still owns the base, which was closed in 1997, the ARRA has been managing the property pending its sale to a new owner that will redevelop the site. SunCal, as master developer, has two years to clear various bureaucratic hurdles and line up agreements with environmental regulators and the U.S. Navy.

- Alameda is served by AC Transit, BART shuttle service, and two ferry systems. The Oakland International Airport is immediately adjacent to Alameda. The community is accessible from Highway 880 via four bridges and from the Oakland/Jack London Square area by tunnels running beneath the estuary.

- The shoreline parks along the San Francisco Bay and the San Leandro Marina extend for more than six miles, offering spectacular views of the San Francisco skyline and the East Bay hills. Marinas abound, with over a dozen yacht brokers, a half dozen yacht clubs and over 3,400 boat slips and dry boat storage spaces, more than any other community in the Bay Area, and second in the nation to Marina Del Ray.

- New residential projects approved for Alameda include Bayport Community, which is planned for 485 upscale homes on former Navy land near the College of Alameda. Construction on the entire Bayport community, including neighborhood parks, is expected to be completed within five years. Homes are to be tentatively priced between $600,000 and $800,000, though more than 150 homes have been reserved for affordable housing. Alameda Landing, a new mixed-use development, will include 300 new residential units, 25% of which will be affordable. Alameda Landing will be on the 77-acre site of the Navy's former Fleet Industrial Supply Center at the foot of Fifth Street. The project will also include office space, open space, 300,000 square feet of retail and a 20,000 square foot health club. The third project is Grand Marina Village, a new residential development at the Estuary end of Grand Avenue, which will provide 40 new units (25% affordable).

- Alameda's generally mild weather makes it a year-round golf market, with January average high temperatures in the upper 50s, and summertime highs in the low 70s. Average annual rainfall is between 20 and 25 inches. The cool summer temperatures, relative to inland areas, make playing golf courses such as Chuck Corica very attractive at that time of year.

Bay Area / East Bay

- The Bay Area region is the birthplace and worldwide center of high technology, and acclaimed as the incubator of biotechnology. The Bay Area has more pioneering high-tech and bio-tech firms than any other region, including Dolby Labs (audio), Salesforce.com (customer relationship software), Industrial Light and Magic (Entertainment), and Genentech (bioscience), to name just a few. Other high-tech highlights for the area:

  - Largest Share of high-tech exports.
  - Largest aggregation of research universities and federal research institutions.
  - Area Universities produce more PhD. scientists & engineers (850) than any other area in U.S.
  - Proximity to Silicon Valley and biotech bay.

- Overall, Bay Area employment is still reeling from the 2001 recession, long after the rest of the state has recovered. Total non-farm payroll employment in the Bay Area's three metropolitan areas (San Francisco, San Jose, and the East Bay) is still down 11% from the beginning of 2001. This downturn is certainly a contributing factor to the downturn in activity level at area public golf courses over the past six years.

- The San Jose area was the hardest hit of the three metro areas, as substantial losses in computer-related manufacturing and internet-related jobs in professional services snowballed into the loss of over 175,000 jobs from 2001-03. From May 2003 to May 2006, San Jose has added only a net 9,700 payroll jobs. Most of these new jobs represented a recovery in locally-oriented service employment: retail trade, health and education, etc.

- The bright spot in the Bay Area has been the East Bay. Alameda County did experience a miniature version of the San Jose experience, losing about 20,000 jobs in computer-related manufacturing and professional services. However, the combined job losses from 2001-03 in Alameda and Contra Costa Counties amounted to only 5% of total employment, compared to 15% for San Francisco and 20% for San Jose.

- Inland areas of Alameda and Contra Costa counties have seen a significant increase in construction activity. Like many other regions of California, this building boom has been a major source of growth for otherwise tepid economies. Growth in construction employment has accounted for one-third of total non-farm payroll growth in the East Bay from May 2005 to May 2006, with growth in real estate related finance employment contributing another 5-7% of total payroll growth. Outside of real estate-related job gains, the big gains in externally-oriented job growth have come in professional services. The reliance on real estate to generate job growth does make the East Bay vulnerable to the deepening real estate slowdown.

- Employment gains in the East Bay came to a halt in April, according to the state's Employment Development Department. Jobs in residential construction, loans, and real estate have vanished by the thousands in the East Bay over the last year. In contrast, health care, professional-scientific-technical services, manufacturing and administrative and support services all showed strong gains during the last year. The East Bay lost 1,500 payroll jobs during April, but over the last year, the Alameda-Contra Costa region gained 16,900 jobs. Over the 12 months that ended in April 2007, the job gains in the East Bay translated to a 1.6% employment expansion, but the pace of job growth in the East Bay failed to keep up with California and the Bay Area (1.8% in California and 2.4% in the Bay Area).

- Unemployment rates in the Bay Area, where unemployment is historically well below the California average, have trended at closer to the state level in recent years. For April 2007, unemployment was at 4.4% in Alameda and Contra Costa Counties, compared to 5.1% for the state of California and 4.5% for the nation. The unemployment rate for the City of Alameda is a low 3.1%.

- The Bay Area has a very high cost of living, and this is especially true with respect to housing. Despite a housing market that has cooled off, the median price of a house in Alameda County was $586,500 in April 2007, according to DataQuick Information Systems. The median for the entire Bay Area was $659,000. Despite the housing slump, prices increased for the third month in a row to a new record.

- Bay Area homes sold at the slowest pace in 12 years recently, the result of a continued buyer-seller standoff as well as very slow sales in some lower-cost neighborhoods in the East Bay. The number of homes in Alameda County that were sold in April of 2006 was 1,786 compared to 1,555 in April of 2007 – a decrease of 12.9%. A total of 7,447 new and resale houses and condos were sold in the nine-county Bay Area in April, down 10.5% from March, and 18.4% from April 2006, according to DataQuick.

- Tourism is a huge industry in the greater Bay Area, and visitors certainly contribute to the local golf economy. In 2005, San Francisco welcomed 15.7 million visitors who spent $7.3 billion in the city. Though the number of visitors to the City of Alameda was unavailable, travel-related spending in Alameda County was $2.7 billion in 2005, according to Dean Runyan Associates. Travel-related employment was more than 24,000. Neighboring Contra Costa County saw travel spending of $1.18 billion in 2005, with associated employment of more than 10,000.

- The Bay Area features three active international airports, based in San Francisco, Oakland, and San Jose. SFO is the 11th largest airport in the U.S. and 21st largest in the world, with more than 2,000 daily arrivals and 50+ airlines served. Oakland International Airport volume is more than 14 million annually.

GOLF MARKET OVERVIEW

In this section, NGF Consulting will present an overview of recent and emerging national trends with respect to golf participation and municipal golf in particular. We will then present an overview of golf demand and supply indicators in the local market. NGF Consulting utilizes predictive models as benchmarks for estimating potential market strength. The methodology for determining the relative strength of the subject market is described in the following section and associated appendices.

National Trends in Golf Demand and Supply

Participation

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 12.6% of the population today. NGF estimates that 36 million golfers reside in the U.S., with growth slowed to about 1.0% per year. Other surveys completed outside the golf industry show the number of people who "identify themselves as golfers" is as high as 45 million, indicating a large potential "latent" demand from very inactive golfers.

As rapidly as the demand for golf has grown, the supply has grown even faster, with an average increase of about 2.1% per year. With the increase in supply, we are seeing a marked increase in competition, and the supply is greater than the demand in some markets.

In addition to increased competition, four other factors have contributed to a decline in the number of rounds per course nationally during the 2002 to 2006 period. These include: 1) an uneven national economy; 2) the aftereffects of 9-11, which greatly reduced the traveling golfer market; 3) the increasing time pressure on individuals and families; and 4) abnormally poor weather conditions over the past few years in much of the U.S. The combination of these factors has caused many golf facilities to become distressed, particularly those that have a high debt load because of higher construction costs and the perceived need to build high-end courses. The level of golf course closings has quadrupled from an annual average of 24 courses per year in 1993 – 2001 to 48 courses in 2002-03, 63 courses in 2004 and more than 100 courses in 2005. ***In 2006, there was negative net growth in golf facilities for the first time in six decades, with 146 18-hole equivalents closing and 119.5 opening.***

In terms of the total number of rounds produced, NGF estimates that rounds fell about 1.5% in 2003, after a 3% drop in 2002. NGF research indicated a rebound of about 0.7 percent in 2004, a very slight decline of 0.1% in 2005, and an increase of 0.8% in 2006. **The Pacific-Coast**

Region saw rounds decrease by about 1.5 percent in 2006, after a comparable decline from 2004 to 2005.

On the positive side, the growth in golf course development has slowed considerably nationally and in the majority of local markets, a trend that should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby boomers are rapidly approaching retirement age when golf activity flourishes. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation.

Municipal Golf

Municipalities were largely responsible for helping bring golf to the masses by creating affordable golf courses for their citizens. The role of municipal golf has changed dramatically over the past 30 years, with fewer municipalities viewing golf in the same vein as other recreational opportunities offered – simply an amenity for its citizens. Still, many municipalities remain that are willing to subsidize municipal golf. Though these municipalities certainly prefer to earn a profit, they recognize the value of offering affordable golf to their residents with respect to quality of life and even longevity, due to health benefits.

Nearly all municipalities that own golf courses offer highly discounted, or even free, green fees and programs for juniors; many also do so for lower-income and/or at-risk youth. Though there may be no short-term financial benefit in doing this, the intangible benefits are obvious, as programs such as this have proven to help troubled kids by providing them with a healthy outlet that can become a lifelong interest or even passion. Additionally, there is likely to be long-term financial benefit to the City, as players are being cultivated as potential future customers.

One example of a formally organized youth golf program is The First Tee, whose main goal is to offer a venue for introducing people - primarily children - to the game of golf in an affordable, non-intimidating setting. The First Tee, an initiative of the World Golf Foundation, states as its mission: "*To impact the lives of young people by providing learning facilities and educational programs that promote character-development and life-enhancing values through the game of golf*".

Emerging Trends

Several factors have changed over the last few decades that have, at least temporarily, altered the golf course market and the role of the municipally owned golf course. The main factor has been increased competition. As noted, in the last two decades the supply of public golf courses has increased dramatically, thus eliminating the near-monopoly that municipalities used to have on public golf. Now municipal courses are finding themselves competing head-to-head for market share with private enterprise. Unfortunately, few municipalities find they are equipped to handle this type of competitive environment.

There are several factors that typically inhibit municipalities in their ability to compete successfully with private enterprise. These include:

- **Slow response:** By nature of the bureaucracy that is typically involved in making decisions, government-owned business are typically very slow to respond to market conditions – such as rates, promotions, etc.

- **Budget Constraints:** Often budgetary problems in other departments can have an adverse affect on golf operations.

- **Personnel Policies:** One of the most glaring areas separating municipal governments from private enterprise is in relation to personnel policies and costs. This is particularly true with regards to:

  Benefits: Municipalities typically offer very rich benefit packages – far superior to what is normally the case within the golf industry – resulting in the municipality paying far more for labor than competing private facilities.

  Termination: With most private enterprises, if an employee is not productive, they are terminated – and often quickly. With governments, however, it can be extremely difficult to get unproductive employees terminated.

  Marketing: Most municipalities lack marketing expertise that is critical to succeeding in a competitive business.

  Procurement: When large items, especially capital improvements, are needed, municipalities are often constrained with lengthy procedures and mandated policies that slow the process down and can lead to situations where the best product or contractor is not selected. Another issue regarding procurement is getting funding, which can often take months longer than in private industry.

  Incentive: With most municipal golf operations where all the employees are employees of the municipality, there are little or no incentives given to the managers for superior performance. As a result, municipal golf managers often earn the same secure income regardless of how successful the facility may be.

In summary, municipal golf facilities face considerable challenges to survive in the modern golf industry, and the City of Alameda is facing some of these same issues.

Minority Golf Participation

In 2003, the National Golf Foundation conducted a research study as part of *Golf 20/20's* Diversity Task Force, which is developing strategies for player development programs and other initiatives focused on women and minorities. The study found that the golf participation rate among African Americans aged 18 and older is 5.1%, and for Hispanic Americans 4.3% (subsequent studies have put the figure at about 5%). These numbers compare to the overall U.S. golf participation rate of 12.6%. The implications for City of Alameda continuing golf operations is that it is important that the City initiate player development programs aimed at stimulating latent golf demand among minorities in order to maximize play at Chuck Corica.

A Strategic Perspective on the Future of Golf

Below we have summarized some excerpts from the NGF's recent publication, *A Strategic Perspective on the Future of Golf.* Many of these issues are very germane to the situation facing the City of Alameda and the Chuck Corica Golf Complex.

Golf Participation

- While efforts have been made to stimulate demand – there are more player development programs now that at any time in history, including Play Golf America, The First Tee, Link Up 2 Golf, Junior Links.com and the Executive Women's Golf Association - the number of frequent golfers and rounds played has leveled off over the past several years.

- Golf has evolved over the decades, taking it from being a sport played mostly by wealthy men to one enjoyed by a diverse cross-section of society. Participation in the game has increased across all age groups over the past 20 years, and is particularly impressive in the younger age groups, an indication that golf has become more of a family activity, which bodes well for the future.

- As in any sport, or industry for that matter, a relatively small percentage of people drive the business. In golf we call these best customers "Core golfers," and we define them as people age 18 or older who play eight or more rounds per year. Core golfers are responsible for the majority of golf activity – 91% of all rounds played and 87% of all golf-related spending. The number of Core golfers has stabilized at between 12 and 13 million players.

- In addition to adult golfers, there are also other golf participants, including children ages 5-11 (2.8 million) and juniors ages 12-17 (3.3 million). While these participants have a relatively small economic impact on the industry, they represent potential for "upgrading" to higher commitment levels.

Demand vs. Supply

- In recent years, the growth in total supply has slowed to net zero (and, in fact, was negative in 2006) – in other words, the number of openings and closings are close to canceling each other out, resulting in a static number of total facilities.

- While business is very competitive, there are actually more golfers per course today than 20 years ago. The reason we are still seeing a very competitive environment is that today there is a lower percentage of Core golfers. In the early 1990s, the percentage of golfers that were Core was about 50%; today it is about 45%.

- The net effect of the growth in supply and demand over the next 20 years is that rounds per course should rise again.

Future Perspectives

- In the past, population growth has been very good for the game and business of golf. However, future population growth will be in demographic groups that are *not* favorable for golf. That is because the largest growth will come in the Hispanic and African-American populations which, according to NGF research, have participation rates that are about one-third that of whites.

- The Hispanic population is projected to increase by 24 million people, or 62%, over the next 20 years, but their golf participation rate is only about 5.0%. White non-Hispanics have the highest participation rate, but the lowest population growth rate. Put another way, about 70% of the projected population growth will come from non-traditional golfing populations.

- Minority participation rates are not negligible, however. At about a 5% participation rate, adding 34 million Hispanics and African-Americans to the population over the next 20 years would eventually result in about 1.7 million additional golfers. One unusual outcome of the projected changing ethnic mix is that, while the number of golfers will continue to grow over the next 20 years, participation rates will actually fall.

- Most of this growth in rounds will be attributable to the aging of the baby boomers. Golfers tend to play more rounds as they age, and we are about to witness the largest number of golfers in the older age groups at any time in history. About nine million boomers are golfers and they are about to move into the higher play frequency and golf spending years. This effect will take some years to be noticed – the oldest baby boomers just turned 60 in 2006, so they haven't begun retiring in large numbers.

Potential Future

- The preceding Future Perspective examined the "unmanaged outcome" – what should happen by itself without outside intervention. Increased frequency (primarily from the baby boomers) will be the driver of the unmanaged outcome. Increased participation rates will be the driver of the managed outcome, reinforcing the point that player development programs are crucial to the ongoing success of municipal golf operations such as Chuck Corica.

- Given their relatively low participation rates, primary growth targets for participation rate increases should be females, Hispanics and African-Americans. Given the large projected population growth in Hispanics and African-Americans, even small increases in participation rates would have an exponential effect.

- Likewise, if we can close the gap between female participation (6%) and male participation (20%), the effect would be substantial.

In summary, municipal golf facilities face considerable challenges to survive in the modern golf industry, and the City of Alameda is facing many of these same issues, as we will identify throughout the text of this report.

Estimated Area Golf Demand

The objective of this section is to provide an overview of golf demand potential in Chuck Corica's trade area. The predictive demand models are based on historical golfer participation characteristics, and incorporate existing and emerging demographic trends in the subject market area.

In January of each year, Market Facts mails golf participation surveys to 50,000 households nationwide to determine the previous years' golf participation characteristics. In order to be representative of the U.S. population, the observations are weighted to match total U.S. demographics. The NGF Golf Demand Model includes the critical combination of age and income, regional seasonality, and available golf course supply, as well as existing and emerging demographic trends in a particular market area. The model can be used as a benchmark for estimating potential market strength in a particular area. Because the sample is so large, NGF is extremely confident of its accuracy. In statistical terms, the national participation rate is estimated to be 12.6 percent, plus or minus 0.2 percent at the 90 percent confidence level. A detailed demand analysis appears in ***Appendix D*** to this report.

Alameda is part of the San Francisco – Oakland – San Jose, California Designated Market Area (DMA). The table below illustrates how this market ranks in relation to the other 209 DMAs nationwide on some key golf demand and supply measures.

San Francisco-Oakland-San Jose CA	
Characteristic	**Rank (of 210 DMAs)**
Total Number of Facilities	24
Public Facilities	28
Private Facilities	T18
Premium Facilities	14
Standard Facilities	21
Value Facilities	T84
Predicted Household Participation Rate	19%
Rank (of 210 DMAs)	88
Predicted Number of Golfing Households	459,276
Rank (of 210 DMAs)	7
Predicted Number of Rounds Demanded - 2006	14,255,887
Rank (of 210 DMAs)	4

'T' indicates tied with at least one other DMA for this rank
Source: National Golf Foundation

The Bay Area ranks in the top seven markets nationally in terms of predicted number of golfers and potential rounds demanded. The DMA ranks in the top 11% for number of total golf facilities, in the top 13% for number of public facilities, and in the top 10% for number of "standard" golf courses – the category that Chuck Corica falls into. While the San Francisco DMA is among the largest golf markets in the United States in terms of total demand, the area ranks a relatively low 88th for actual golf participation rate among its residents. However, due to the sheer size of the population, estimated rounds demanded in the market is a very large number.

Predicted Golf Demand

Golf participation rates in the subject markets are between 5% and 12% lower than the national benchmark, while rounds demanded per household are between 8% (for 10-mile market area) and 28% (30-mile ring) *higher* than the national figure. The high rounds demanded per household are indicative of the year-round golf climate, the high number of golf courses, and a demographic profile that is generally conducive to high golf demand, particularly as it relates to median household income.

Predicted Golf Demand

	10 mi	20 mi	30 mi	Alameda County	Contra Costa County	California	U.S.
Golf Demand Indicators							
# of Golfing Households	62,097	227,224	315,852	94,524	69,245	2,231,961	21,249,204
Number of Rounds Played	1,796,445	6,916,871	9,739,446	2,799,201	2,106,415	65,676,096	499,088,704
Golfing Household Index	88	95	98	95	98	96	100
Rounds Played Index	108	123	128	119	126	121	100

Source: Tactician Corporation, Applied Geographic Solutions, National Golf Foundation

Corporate Market Demand

The Bay Area is home to a large number of major corporate and public employers. Although potential corporate demand for public golf rounds is difficult to quantify, it is clear that these organizations are prime targets for soliciting tournament/outing play. This will be a key element to boosting play levels at Chuck Corica should a banquet facility be built at the club to accommodate larger groups. This corporate /organizational tournament play can augment the daily fee rounds expected from the primary resident markets, especially during off peak periods.

Visitor Golf Demand

Visitors to the Bay Area have the potential to have a significant impact on demand at area golf courses. As noted previously, about 16 million people visited San Francisco alone in 2005, and the overall Bay Area has considerably more than that. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing .557 rounds per day of travel. To illustrate the potential demand from visitors, we have used a very conservative estimate of 10,000,000 visitors annually to craft the estimate for tourist demand below.

Area Visitors	2005
Estimated Visitors	10,000,000
X Estimated National Golf Participation Rate	12.6%
= Estimated Visiting Golfers	1,260,000
Estimated Golf Frequency Rate (Traveling Golfers)	.557 Rounds/trip
Estimated Potential Visitor Rounds Demanded	701,820

As we can see, even using very conservative estimates for annual visitors, the potential demand for golf from area tourists is more than 700,000 rounds annually. Though Alameda is not necessarily a tourist destination, it is reasonable to expect some residual play at Chuck Corica from visiting golfers staying in the East Bay area.

Area Golf Facility Supply

While there are only seven total and four public golf facilities (including Chuck Corica) in the subject 10-mile market area, there are 47 total facilities, including 27 public, within 20 miles of Chuck Corica. The 30-mile market ring is home to 81 total golf facilities, including 52 that are public access. The household/supply ratios and indices that follow put these supply numbers in context with the population and national benchmarks.

Golf Facility Supply							
	10 mi	20 mi	30 mi	Alameda County	Contra Costa County	California	U.S.
Golf Supply Summary							
Total Golf Facilities	7	47	81	21	29	919	15,995
Public Golf Facilities	4	27	52	17	17	619	11,616
Private Golf Facilities	3	20	29	4	12	300	4,379
Total Golf Holes	162	873	1,494	432	522	16,227	269,235
Public Golf Holes	108	441	900	342	279	10,530	190,431
Private Golf Holes	54	432	594	90	243	5,697	78,804
Source: Tactician Corporation, Applied Geographic Solutions, National Golf Foundation							

Household/Supply Ratios

Utilizing this data in conjunction with the demographics presented earlier, we note the following comparison of golf facility supply to the number of households available in the market to support each facility. This "Household/Supply Ratio" estimates the relative per capita supply golf courses of a given market in comparison to the total U.S. The Household/Supply Ratio is derived by dividing the total number of households by the number of 18-hole equivalent golf courses. Household/Supply indices are derived from these ratios, and then compared with the base national figure of 100.

As the table below indicates, the Bay Area has a significantly higher number of households available to support each 18 holes of golf than the nation overall. For instance, the 10-mile market surrounding Chuck Corica has 41,393 households per 18 holes of golf, compared to the corresponding national figure of 7,476. In this same 10-mile ring, there are nearly six times as many homes per 18 holes of public golf than we observe nationally. These ratios help to explain the very high activity levels observed in the market, particularly at area municipal golf courses, many of which produce 70,000 to 80,000 annual rounds or higher. Still, activity levels *per course* have declined considerably in this market due to the high number of new courses added over the last 10+ years.

Household/Supply Ratios							
	10 mi	20 mi	30 mi	Alameda County	Contra Costa County	California	U.S.
Households per 18 Holes: Total	41,393	25,877	20,518	21,854	12,886	13,525	7,476
Households per 18 Holes: Public	62,090	51,225	34,059	27,605	24,109	20,843	10,570
Households per 18 Holes: Private	124,180	52,293	51,605	104,898	27,681	38,524	25,542
Households Supply Index: Total	554	346	274	292	172	181	100
Households Supply Index: Public	587	485	322	261	228	197	100
Households Supply Index: Private	486	205	202	411	108	151	100
Source: Tactician Corporation, Applied Geographic Solutions, National Golf Foundation							

Recent Construction Activity

Appendix D displays the recent golf construction activity on the local markets. Alameda County has seen 108 new holes of golf added over the last decade, all public. During the same time, neighboring Contra Costa County added 90 new holes – again, all public. For the nine-county Bay Area region, 27 total golf facilities were added between 1997 and 2006. This included 6 private (comprising 90 holes) and 21 public (360 holes) facilities. It should be noted that the actual net additions may be somewhat smaller due to golf course closures (e.g., Galbraith closing, and reopening as Metropolitan).

The Household/Supply table in ***Appendix D*** illustrates the per capita supply of golf courses for Alameda County and the other eight counties that make up the Bay Area region, at three points in time: 1990, 2000, and 2006. The table shows that there were 4,485 residents per public golf hole in Alameda County in 1990, and 98,399 residents per public golf facility. These numbers increased to 5,175 and 103,124, respectively, by the year 2000. However, a spate of new golf course construction and stagnation in population growth in the subsequent six years decreased these ratios to 4,152 and 85,731, respectively, by 2006. This represents a decrease of about 20% in the population per public golf hole, and 17% in population per public golf course between 2000 and 2006 in Alameda County.

For the entire nine-county area, population per public golf hole declined moderately from 4,264 in 1990 to 4,008 in 2006, while the population per public golf facility decreased from 70,889 to 70,667 over that time. The total population of the Bay Area increased by 900,000 people between 1990 and 2006.

New Golf Courses Proposed or Under Construction

The NGF database reveals only three new golf course projects, including two public, currently in planning or under construction within 20 miles of Chuck Corica. None of these proposed courses, detailed below, is expected to have any significant impact on the Chuck Corica Golf Complex in the near future.

Newark Golf Course

Long-range plans are in progress for the development of this new golf community to be located about 18 miles southeast of Alameda, with advancement pending public hearings, rezoning and approvals. Construction start is to be announced. Included in the plans for this project are an 18-hole golf course and 10,000 square-foot clubhouse, driving range and an undetermined number of housing units.

Alameda Point Golf Course

(Please see discussion in Economic Overview section). Long-range plans for Alameda Point may include an 18-hole public golf course; however, if it ever comes to fruition, the course is likely to be at a much higher price point than Chuck Corica, and should not compete directly.

Stonebrae Country Club

Construction is continuing on the golf course in this private community project in Hayward, with the front nine to open possibly by September 2007. The 1,600-acre project includes the 18-hole golf course and 560 single-family homes, tennis and swim clubs, and an elementary school, recreational fields, open space and a park.

Golf Market Summary

NGF consulting has made basic estimates of the demand for golf and documented the supply of facilities to service that demand. Plotting the results of the analysis on the *NGF Opportunity Chart*, we see that the market area generally falls into the "Opportunity" golf market classification. This means that the market area that Chuck Corica operates in has a very high number of households available to support each 18-hole golf course and relatively high demand per household, relative to the national benchmarks for these measures. The implication for the City of Alameda and its continued operation of Chuck Corica is that an improved price/value proposition will likely result in tapping some latent demand for golf among the dense local population, as well as an increase in market share.

MARKET ENVIRONMENT SUMMARY

The Alameda/East Bay Area benefits from a generally strong economy, driven largely by the high-tech industry and tourism. The severe downturn in the Bay Area economy during the early 2000s, which resulted in corporate downsizing and relocations, did not affect the East Bay as dramatically as other parts of the region, and employment has recovered nicely. Still, the slump in the housing market and the skyrocketing cost of living continue to suppress any significant economic growth. The general malaise in the economy has undoubtedly had a significant effect on activity levels at area golf courses, many of which are currently operating far below peak rounds played levels achieved in the late 1990s.

The demographic profile of the greater Bay Area, especially in terms of median household income, is predictive of high golf participation, according to NGF Demand Models. However, this is mitigated somewhat by the extremely high cost of living in the area. Household/supply ratios are also extremely favorable for golf operators, as there are several times as many homes available to support each 18 holes of golf than there are nationally.

The corporate and visitor markets in the Bay Area also have great potential to supplement resident play at area golf courses. Local corporations and other organizations are strong candidates for lucrative tournament play at Chuck Corica, especially if a new banquet center is added. Also, though Alameda itself is not as significant a tourist attraction as some other parts of the Bay Area, the very high number of annual visitors to the overall region is certain to result in some residual play at Chuck Corica each year.

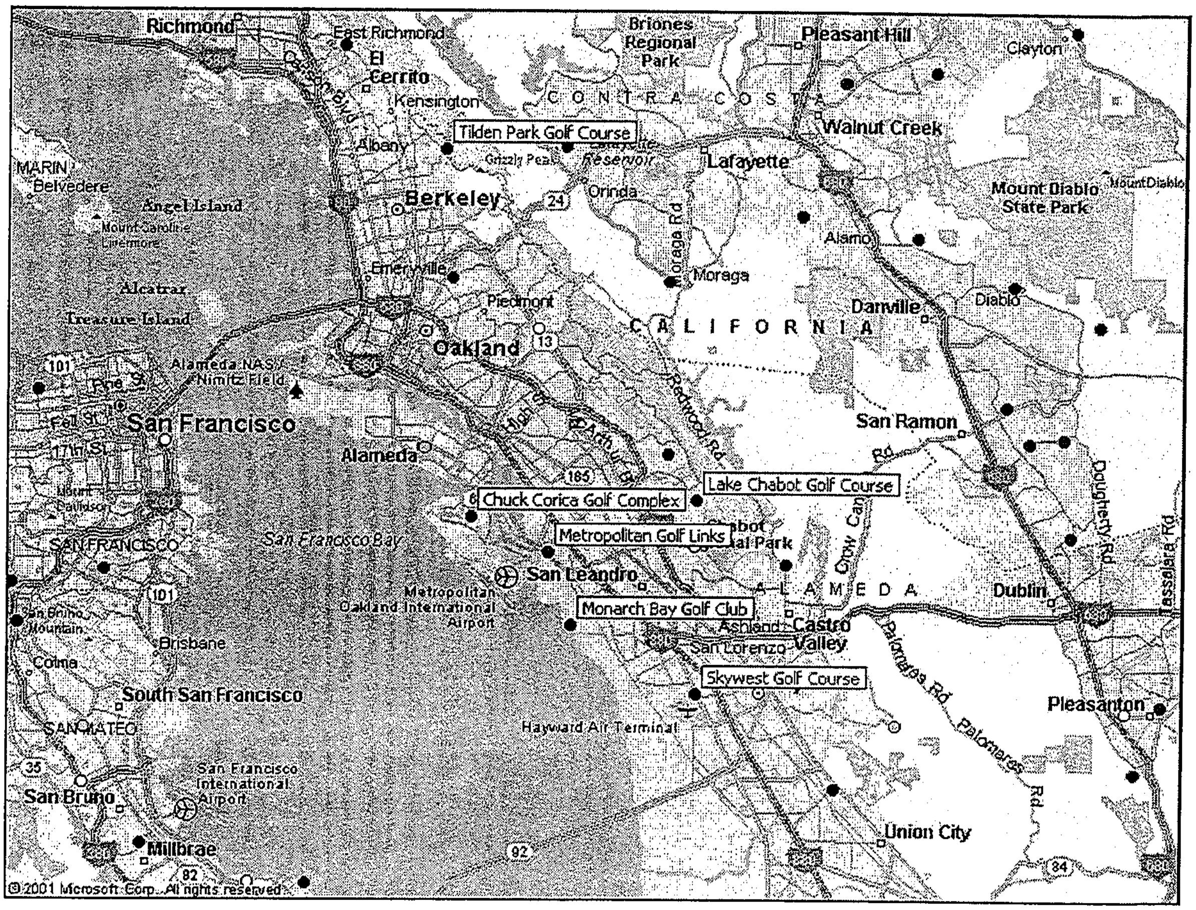
As we noted in our physical assessment earlier in this report, capital improvements at Chuck Corica should result in a vastly improved product – one that should be much more attractive to visitors from out of the area. These improvements should also present the City with a "story to tell" about the facility's historic legacy – one that should be appealing to visiting golfers, such as business travelers staying in nearby Oakland.

Competitive Golf Market

Two of the objectives of this study are to identify any opportunities that may exist for Chuck Corica Golf Complex to increase market share and revenues, and, secondly, to compare the subject facility to other local and regional golf courses for the purpose of benchmarking fees, activity levels, and policies. In this section of the report, we profile the area municipal and daily fee market dynamics, and present operating profiles for regional municipal golf systems.

CHUCK CORICA GOLF COMPLEX PRIMARY COMPETITORS

Below is a map showing the locations of Chuck Corica Golf Complex and its five primary competitors. Summary operational information for these courses is contained in the tables that follow.



Summary Information – Primary Competitors

The table below shows summary facility information regarding Chuck Corica and its five primary competitors.

Chuck Corica – Primary Competitive Golf Courses				
Facility	**Par / Slope / Back Tee / Forward Tee**	**Owner**	**Year Open**	**Structure (Operations/Mtce.)**
Chuck Corica – Earl Fry	*71 / 121 / 6,339 / 5,286*	*City of Alameda*	*1927*	*City/City*
Chuck Corica – Jack Clark	*71 / 119 / 6,586 / 5,310*	*City of Alameda*	*1927*	
Lake Chabot Golf Course	72 / 115 / 6,004 / 5,228	City of Oakland	1923	Mgmt./Mgmt.
Metropolitan Golf Links	72 / 125 / 6,959 / 5,099	Port of Oakland	2003	Lease/Lease
Monarch Bay Golf Club	71 / 126 / 7,015 / 5,140	City of San Leandro	1982	Lease/Lease
Skywest Golf Course	72 / 121 / 6,862 / 6,171	Hayward Area Rec./Park District	1965	District/District
Tilden Park Golf Course	70 / 124 / 6,294 / 5,399	East Bay Regional Park District	1938	Lease/Lease

Mtce. – Maintenance
Mgmt. – Management Company

Summary Operating Data – Primary Competitors

Summary Operating Data – Chuck Corica and Primary Competitors

Golf Facility	Type	Total 2006 Rounds	18-Hole Resident Green Fee (WD/WE)	18-Hole Non-Resident Green Fee (WD/WE)	Per Person 18-Hole Cart Fee (Reg/Twi)	18-Hole Resident Twilight Green Fee (WD/WE)	18-Hole Non-Resident Twilight Green Fee (WD/WE)	18-Hole Resident Senior Green Fee (WD/WE)	18-Hole Non-Resident Senior Green Fee (WD/WE)	18-Hole Weekday Junior Green Fee (Res/NR)	18-Hole Super-Twi Green Fee (Res/NR)	Start Time (Twi / Late Twi)
Chuck Corica (Earl Fry)	45H-MU	66,969	$25/$32	$30/$40	$15/$10	$20/$25	$25/$27	$20/DNA	$25/DNA	$1/$10	$15/$18	3:00/6:00
Chuck Corica (Jack Clark)		48,576	$23/$28	$28/$36	$15/$10	$18/$21	$23/$25	$18/DNA	$23/DNA	$1/$8	$13/$16	3:00/6:00
Lake Chabot Golf Course	27H-MU	43,329	$22/$30	$26/$37	$13/$8	$15/$20	$18/$30	$17/DNA	$17/DNA	$5/$5	$10/$10	2:00/4:00
Metropolitan Golf Links	18H-DF	60,000	$30/$55	$40/$50/$60	$15/$10	$21/$30	$25/$37	DNA	$35[1]/DNA	$15/$15[2]	$16/$20[3]	2:00/3:30
Monarch Bay Golf Club	27H-MU	114,000	$27/$61	$37/$61	$13/$10	$24/$34	$24/$34	$27/DNA	$27/DNA	$10/$10[4]	$19/$19[5]	2:00/4:00
Skywest Golf Course	18H-MU	65,000	$25/$34	$29/$38	$14/$10	$19/$24	$19/$24	$18/$18	$21/$21	$10/$10[6]	$13/$13	3:00/5:00
Tilden Park Golf Course	18H-MU	75,000	$32/$47/$55	$32/$47/$55	$15/$12	$23/$26/$29	$23/$26/$29	$29/DNA	$29/DNA	$5/$5[7]	$16/$16	3:00/5:00

KEY
MU – Municipal DF – Daily Fee DNA – Does not apply
Note: Where three rates indicated, middle fee represents Friday
1 Includes cart
2 Weekend fee is $20; must be accompanied by a full fee paying adult during prime time
3 Weekend Res/NR rates are $25/$30
4 Weekend prime time Junior rate is $29; twilight rate is $10
5 Weekend rate is $24
6 Weekday only
7 After twilight only on weekends

Profiles – Primary Competitors

Lake Chabot

Lake Chabot Golf Course, owned by the City of Oakland, was designed by William Lock in 1923 and re-designed by Robert Muir Graves in 1989. The 27-hole facility comprises an 18-hole par-72, 6,000-yard championship layout, as well as a 9-hole par-3 course. Set in the Oakland hills west of Chabot Regional Park, it is located about seven miles east of Chuck Corica.

Lake Chabot re-opened in April 2007 after being closed for half a year for renovation. The facility, which hosted only about 43,000 rounds on its 27 holes in 2005-06, had fallen into disrepair under the previous lessee and was badly in need of improvements. The City issued an RFQ in November 2006 for interested private parties to renovate and operate Lake Chabot. The original plan was for the City and the lessee to meet halfway on about $6 million in initial improvements. The City reportedly did not draw interest for someone to put that kind of capital into the facility, and subsequently hired a management company for a 14-month term. The facility is not maintained by City employees; though the payroll expense ultimately flows through to the City, it is non-unionized labor. It is expected that the City will re-solicit interest in the renovate/lease scenario at the end of that term.

The renovation of Lake Chabot included a re-grassing, fertilization of the greens, improved irrigation, cart path improvements, landscaping enhancements and overall course beautification. The course is still badly in need of major irrigation and drainage improvements, which are scheduled for the future. The historic, Spanish-style clubhouse was also remodeled and upgraded with new carpeting, furnishings, paint and interior design. The Chabot Café features a new menu, big screen televisions, and expanded banquet capabilities. Despite the improvements, green and cart fees are the same as they were in 2006. The management company reports that play has exceeded expectations since the re-opening, with about 15,700 rounds played in the first 3+ months (resulting in a small operating profit).

Lake Chabot is a very hilly course that features panoramic views of the Oakland and San Francisco skylines, Bay Bridge and Lake Chabot area. With wide open fairways and traditional smooth greens, the course offers multiple tees on each hole to provide golfers of all playing abilities an enjoyable challenge. The championship course's signature hole is the par-6, 673-yard 18th hole. In addition to the courses, Lake Chabot features a small driving and putting greens.

Lake Chabot is at a very similar price point to Chuck Corica and, with its renovation, offers a similar price/value proposition. Among the pricing categories where Lake Chabot is highly competitive to Chuck Corica:

- Per person cart fees, during both prime time and twilight, are $2 cheaper.
- Prime time weekday non-resident rates are $18 at Lake Chabot, compared to $23 for Jack Clark and $25 for Earl Fry.
- Lake Chabot's non-resident weekday prime time rate - $18 – is the same as the *resident* twilight green fee for Jack Clark, and $2 less than the Earl Fry rate; it is considerably lower than Corica's *non-resident* twilight rates ($23 for South, $25 for North).

- Chabot's super twilight rate, for both residents and non-residents, is $10, compared to $13 for residents/$16 for non-residents at the Jack Clark, and $15/$18 at Earl Fry. Also, as is the case with Metropolitan, twilight and super twilight times (2:00/4:00) begin earlier than at Corica.

- Chuck Corica's resident seniors pay $18 and $20 for Jack Clark and Earl Fry, respectively; they would pay $17 at Lake Chabot, which does not charge a differential between resident and non-resident seniors. Of course, there would have to be a notable difference in quality for resident seniors to want to travel to Lake Chabot to save such a little amount.

- Chuck Corica's *non-resident* seniors pay $23 to play the South and $25 to play the north, compared to the $17 at Lake Chabot.

Metropolitan Golf Links
Metropolitan Golf Links, which opened in 2003, is a formidable competitor located only three miles from Chuck Corica. Metropolitan, the reincarnation of the City of Oakland's former Lew Galbraith Golf Course, is a well-manicured par 72 daily fee (operated via sub-lease with the Port of Oakland) Johnny Miller 'American Links' golf course that features Bentgrass greens and reaches to just under 7,000 yards from its back tees. At 5,099 yards from the front tees, it is a more reasonable distance for ladies than either the Earl Fry or Jack Clark at Chuck Corica. The course is known for its excellent drainage, which gives it a competitive advantage over many other Bay Area courses after heavy rains. Metropolitan is not ideal for beginning or less skilled golfers, as there are a lot of environmental waste areas to negotiate around, and it is often quite windy.

Metropolitan has a very popular 55-station all grass driving range, the opening of which coincided with a dramatic drop in range revenues at Chuck Corica. The facility also features a large putting green and short game practice area. Metropolitan has a very active teaching program, including a free Junior Golf Program, which is currently at maximum capacity. The "Golf Shop", available for re-gripping, custom shafts, and club repair, is located with in a recreational vehicle parked near the driving range.

Metropolitan has a very attractive clubhouse, featuring a well-stocked pro shop, snack bar/grill, and small banquet room. Seating in the snack bar is for about 55 to 60 people, and there are a few tables on the small outdoor patio. Though the snack bar offers a limited menu, it has a full liquor license and offers good value. Metropolitan has recently completed construction of the $280,000 Wedgewood Banquet Center (there is also a wedding gazebo next to the new tent). It is an attractive tented structure that has a seating capacity of 200; the lessee expects to be able to draw events from a wide area, and to substantially increase tournament business, which currently accounts for about 9,000 of its 60,000 total rounds annually.

Metropolitan reportedly draws from a fairly wide area, including San Jose and San Francisco, especially during prime time. During off peak periods, the clientele is more local. Metropolitan is at a moderately higher price point than Chuck Corica across most categories. However, the facility has begun discounting (Golf 707, GolfNow, internet specials), something the lessee has been hesitant to do in the past. Overall, the facility offers a very strong price/value proposition, and Golf Digest has given Metropolitan 4.5 Stars.

Among the pricing categories where Metropolitan offers particular value in comparison to Chuck Corica:

- Oakland residents pay the same prime time fee on weekdays at Metropolitan as they would at Earl Fry

- Oakland residents would pay $21 to play a weekday twilight round at Metropolitan, but $23 for Jack Clark and $25 for Earl Fry (and they would pay only $3 more at Metropolitan for a *weekend* twilight round)

- Non-resident weekday twilight rates are the same for Metropolitan and Earl Fry (Jack Clark is $2 less)

- During weekday super twilight, Oakland residents would pay $16 at Metropolitan, the same rate they would pay at the Jack Clark and $2 *cheaper* than the Earl Fry; more significantly, Metro's super twilight rates begin at 3:30 in summer, as opposed to 6:00 at Chuck Corica (Metro's regular twilight begins at 2:00 - one hour earlier than at Chuck Corica)

- Weekday senior *riding* rates are the same for Metropolitan and Earl Fry (Jack Clark would be $2 less); seniors can play at Metropolitan for $37, including breakfast. It is likely that Metropolitan has taken some of the less price-sensitive (e.g., those who are willing to pay riding rates) seniors golfers away from Chuck Corica.

Monarch Bay

Monarch Bay Golf Club is a par 71, 27-hole municipal golf facility owned by the City of San Leandro and operated under a lease agreement. The facility, which comprises the 18-hole championship Tony Lema Course and the 9-hole executive Marina Course, is located close to San Francisco Bay, about five miles south of Chuck Corica. The original facility dates to 1982, but the courses were completely renovated and re-opened in 2001, with a design by John Harbottle. The lessee, American Golf Corporation, reportedly invested more than $10 million in the renovation, which required more than one re-grassing due to salt intrusion. The problem was ultimately solved with the addition of Paspalum grass on tees and fairways.

The Lema course has eight tees, ranging from the 5,140-yard "Ladies Silver" tees to the 7,015-yard "Professional" tees. The "Championship" tees play to 6,567 yards and a fairly difficult slope rating of 124. Monarch is a lush, well-maintained, scenic golf facility that hosts about 110,000 to 115,000 per year on its two courses. Other amenities include a covered, lighted, and heated two-tier driving range, practice putting and chipping greens, practice bunkers, and a Bay Area Golf Learning Center. The clubhouse includes a full service restaurant (with outside service window) and separate bar; the restaurant seats about 150, not including a small outside patio. There is also a spacious, fully stocked pro shop.

Fees for residents and non-residents are the same at Monarch Bay, with the exception of weekday morning play, when residents receive a $10 discount. Monarch is generally a pricing tier above Chuck Corica, though it is very similar across some categories, such as twilight and senior (assuming Corica's non-resident rates), and super twilight. Monarch's twilight rates begin one hour ahead of Chuck Corica's, and super twilight begins two hours earlier. Overall, considering the relative qualities of Monarch Bay and Chuck Corica, NGF Consulting believes that the San Leandro facility offers a comparable, if not superior, price/value proposition.

Skywest Golf Course
Skywest, located about eight miles southeast of Chuck Corica, is a par 72, 18-hole municipal golf facility owned and operated by the Hayward Area Recreation and Park District. Of Chuck Corica's four primary municipal competitors, it is the only one that is self-operated and maintained by the municipality. The 6,862-yard golf course, which opened in 1965, is characterized by tree-lined fairways and very large greens.

The facility operates with a minimal maintenance staff and has severe drainage problems, so it is generally not in good condition compared to Chuck Corica and the other courses profiled in this section. As a result, rounds have fallen dramatically to about 65,000, down from a peak of the mid 90,000s in the late 1990s.

The District is currently funding a capital improvement campaign at Skywest that figures to make it much more competitive. A new clubhouse was recently completed for $1.7 million, and an irrigation system for $1.0 million. The District's plans are to reconstruct 3 to 5 greens at a time (first five scheduled to begin August 1 2007) at a cost of about $90,000 per green, financed from the District's General Fund. Though the snack bar/grill in the new clubhouse seats only 80, there are currently plans for a $200,000 outdoor pavilion with seating for 200 to accommodate large tourneys. In addition to the golf course and clubhouse, Skywest features a practice putting green and 25-station driving range. (Though fairly distant, the District's new Mission Hills driving range has likely also cut into the range business at Chuck Corica, as the new facility has been a big success, with revenues of $665,000 and associated expense of only $275,000).

Skywest's green fees are nearly identical to those of the Earl Fry Course, and marginally higher than the Jack Clark. Skywest's rates are moderately lower than Chuck Corica's for the non-resident twilight, senior, and super twilight (begins one hour earlier than Chuck Corica) categories. Based on the current conditions at each facility, NGF Consulting believes that Chuck Corica offers better value than Skywest, particularly for Alameda residents.

Tilden Park
Tilden Park Golf Course, an 18-hole municipal golf course owned by the East Bay Regional Park District and operated under a lease agreement, is located in the scenic Berkeley Hills, about 10 miles north of Chuck Corica. The 18-hole, par 70 course, William Park Bell Jr. design dating back to 1938, plays to 6,294 yards from the back tees. The well-maintained golf course is characterized by rolling hills and tree lined fairways. Tilden Park's signature first hole, a 420-yard par 4 straight uphill to an elevated green, is considered to be one of toughest starting holes in the Bay Area. The hilly nature of Tilden Park can reportedly lead to some very long rounds of golf, particularly during peak periods.

Tilden Park also features a three-tiered mats-only driving range with 68 stalls, practice putting greens and a full service bar and grill. Tilden has a very active programming component through its Bay Area Golf Learning Center. The Head Golf Professional is responsible only for instruction, and there are five other instructors on staff.

Other amenities include two putting greens, two sand traps with a practice target green, clubhouse with fully stocked pro shop, and restaurant. Tilden is in the process of adding a banquet center that will seat approximately 230 patrons. Enjoy a meal at the Grizzly Bar & Grill or come up to experience the bar atmosphere at the 19th hole. The banquet facility should enhance Tilden's tournament business, which is already quite strong with about 8,000 annual outing rounds. Total annual rounds played are about 75,000, and the operator reports that play is up about 15% this year.

As with Metropolitan, Tilden Park is at a moderately higher price point than Chuck Corica across most categories. Also like Metropolitan, the facility offers a strong price/value proposition. For some fee categories, Tilden clearly offers superior value. Tilden is only $2 more expensive than Earl Fry for non-resident prime time weekday rounds, and is actually $2 less expensive than Earl Fry (and the same as Jack Clark) for weekday twilight play. Also, Tilden Park's super twilight riding rates - $23 for both residents and non-residents – are less expensive than Earl Fry ($25 to ride for residents, $28 to ride for non-residents). Additionally, Tilden's super twi rates begin at 3:00 p.m. in summer, an hour ahead of Chuck Corica.

Significant Findings – Primary Competitors

- Of Chuck Corica's five chief competitors, three – Metropolitan Golf Links, Monarch Bay, and Tilden Park - are very high quality facilities that offer very strong price/value propositions. Metropolitan and Monarch Bay have both undergone $10+ million renovations in recent years; Metropolitan is the reincarnation of the former City of Oakland course, Lew Galbraith.

- Chuck Corica's other two primary competitors – Skywest Golf Course and Lake Chabot Golf Course – are undertaking major capital improvement campaigns, and figure to be more formidable competitors for Chuck Corica in years to come.

- Of the five primary competitors, only Skywest is self-operated and maintained by the municipality. Three are operated via lease agreement, while Lake Chabot is currently being operated via a short-term management contract. The city reports making a small operating profit between its April re-opening and July 2007, on about 15,700 total rounds. (Oakland reportedly plans to reissue and RFP next year, seeking a private firm to enter into a long-term lease and contribute towards further capital improvements).

- Chuck Corica's five main competitors averaged 71,500 rounds played in 2005-06, ranging from about 43,000 rounds at Lake Chabot to 114,000 at Monarch Bay.

- Though activity levels fell considerably over the first five years or so of the new century, rounds played seem to have stabilized over the last couple of years. However, there are indications that, when adjusted for good weather days, rounds played per day may still be declining at many facilities.

- Tournament play accounts for about 11% of play at Tilden, which reported 8,000 tournament rounds in 2006. Metropolitan's 8,800 tourney rounds represent nearly 15% of total play. Both of these facilities figure to increase these numbers with the addition of new banquet centers.

- Senior discounts are common among this set of competitors, though all but Skywest restrict the discounts to weekdays. The other most common form of discounting is the availability of twilight and super twilight rates. All of the courses surveyed also discount carts for seniors, and during the twilight and super twilight periods. Chuck Corica has the latest starting super twilight time among this competitive set.

- Monarch Bay treats Friday as a weekend day, while both Metropolitan and Monarch Bay have special Friday rates.

- None of Chuck Corica's five primary competitors offer unlimited play passes or tickets. Skywest eliminated monthly passes 7 to 8 years ago, when it had more than 400+ pass holders (15 current pass holders have been "grandfathered" in).

OTHER AREA MUNICIPAL GOLF COURSES

Summary Information

Other Area Municipal Golf Courses

Facility	Type	Par / Slope / Back Tee / Forward Tee	Municipality	Year Open	Structure (Operations/ Mtce.)
Boundary Oak Golf Course	18H-R	72 / 132 / 7,098 / 5,699	City of Walnut Creek	1969	Lease/Lease
Callippe Preserve Golf Course	18H-R	72 / 139 / 6,748 / 6024	City of Pleasanton	2005	Mgmt./Mgmt.
Harding Park Golf Course	18H-R; 9H-E	72 / 126 / 6,845 / 5,375	City of San Francisco	1925	Mgmt./City
Las Positas Golf Course	18H-R; 9H-E	72 / 128 / 5,270 / 6,677	City of Livermore	1966	Mgmt./City
Lincoln Park Golf Course	18H-R	68 / 109 / 5,149 / N/A	City of San Francisco	1928	Lease/City
Los Lagos Golf Course	18H-R	68 / 112 / 5,393 / 3,903	City of San Jose	2002	Mgmt./Mgmt.
Palo Alto Municipal Golf Course	18H-R	72 / 118 / 6,820 / 6,227	City of Palo Alto	1956	Mgmt./City
Poplar Creek Golf Course	18H-R	70 / 113 / 6,042 / 4,768	City of San Mateo	1933	City/City
San Jose Municipal Golf Course	18H-R	72 / 119 / 6,700 / 4,200	City of San Jose	1968	Lease/Lease
Santa Clara Golf & Tennis Club	18H-R	72 / 118 / 6,704 / 5,492	City of Santa Clara	1987	Mgmt./Mgmt.
Sharp Park Golf Course	18H-R	72 / 119 / 6,476 / 5,793	City of San Francisco	1931	Lease/City
Shoreline Golf Links	18H-R	72 / 125/ 6,645 / 5,433	City of Mountain View	1983	City/City
Sunnyvale Golf Course	18H-R	70 / 121 / 6,255 / 5,279	City of Sunnyvale	1969	City/City

KEY

R – Regulation P – Par 3 E – Executive
Mtce. – Maintenance
Mgmt – Management Company
N/A – Information not available

Summary Operating Data

Summary Operating Data – Other Area Municipal Golf Courses

Golf Facility	Type	Total 2006 Rounds	18-Hole Resident Green Fee (WD/WE)	18-Hole Non-Resident Green Fee (WD/WE)	Per Person 18-Hole Cart Fee	18-Hole Twilight Green Fee (WD/WE)	18-Hole Resident Senior Green Fee (WD/WE)	18-Hole Non-Resident Senior Green Fee (WD/WE)
Boundary Oak G.C.	18H-R	60,000	$23/$31	$29/$37	$14	$19/$21	$18/$31	$23/DNA
Callippe Preserve G.C.	18H-R	73,514	$36/$52	$42/$62	$14	$26/$39[1]	$26/DNA	$30/DNA
Harding Park Golf Course	18R, 9E	101,966	$46/$59[2]	$135/$155[2]	$13	$105/$125[2]	$31/DNA	DNA
Las Positas Golf Course	18R, 9E	85,000	$31/$37	$34/$42	$13	$24/$29	$25/DNA	$25/DNA
Lincoln Park Golf Course	18H-R	34,748	$20/$24	$32/$36	$13	$19/$23	$12/$19	$12/$19
Los Lagos Golf Course	18H-R	65,843	$31/$45	$31/$45	$14	$22/$27	DNA	$20/DNA
Palo Alto Municipal G.C.	18H-R	76,000	$36/$47	$36/$47	$13	$27/$31	$27/DNA	$32/DNA
Poplar Creek Golf Course	18H-R	83,000	$28/$35	$35/$45	$13	$24/$29	$23/DNA	DNA
San Jose Municipal G.C.	18H-R	83,212	$35/$49	$35/$49	$13	$24/$31	$21[3]/DNA	DNA
Santa Clara Golf & Tennis	18H-R	85,247	$20/$26	$33/$41	$13	$24/$26[4]	DNA[5]	DNA[5]
Sharp Park Golf Course	18H-R	35,195	$20/$24	$32/$36	$13	$19/$23	$12/$19	$12/$19
Shoreline Golf Links	18H-R	65,837	$31/$47	$38/$54	$12	$25/$28[6]	$21/DNA	$28/DNA
Sunnyvale Golf Course	18H-R	85,000	$34/$45	$34/$45	$12.50	$25/$28.50	DNA[7]	DNA[7]

N/A – Information not available **DNA – Does not apply**
1 Resident fees are $23/$33
2 Northern California discount rate also available; S.F. resident twilight fees are $35/$44
3 Before 9:00, and after 1:30 only
4 Resident rates are $15/$20
5 Senior weekday-only monthly tickets available for $90; seven-day ticket is $175
6 Resident rates are $18/$21
7 Senior Monday through Thursday monthly ticket is available for $155

Significant Findings – Area Municipal Golf Market

- The regional municipal golf courses we surveyed averaged just fewer than 67,000 rounds per 18 holes in 2005-06, though this number is somewhat deflated by two San Francisco courses – Lincoln Park and Sharp Park – that hosted only about 35,000 rounds each. For the overall municipal golf market, activity levels are down by about 30% since peaking (for most courses, in the late 1990s).

- Monarch Bay's 114,000 rounds make it the second busiest course in the regional market. Chuck Corica, despite losing about 100,000 rounds off its peak activity of the 1990s, remains the most active overall facility in the market, though the most active courses per 18 holes are Santa Clara, Sunnyvale, and Poplar Creek.

- The market average (excluding Harding Park) non-resident walking green fee was $34 on weekdays and $45 on weekends, with corresponding resident rates of $29 and $39, respectively. Harding Park's non-resident green fees, which are cart inclusive, are considerably higher than those at any other municipal course we surveyed. The next highest municipal fees are at the brand new Callippe Preserve, at $42/$60 for non-residents and $36/$51 for residents.

- All but four of the municipal courses surveyed – Los Lagos, Palo Alto, San Jose Municipal, and Sunnyvale - offer resident discounts. Ten of the thirteen courses offer senior discounts, though a few restrict them to residents, and most offer the discounts on weekdays only.

- Los Lagos (San Jose) and Callippe Preserve (Pleasanton) are the newest entrants into the area municipal golf market, and both are high quality facilities that had immediate market impact. However, each has high associated debt service and Los Lagos has been unable to turn sufficient profit to service this debt. According to course operator CourseCo (which also manages Los Lagos), Callippe Preserve did an impressive 73,500 rounds in its first twelve months of operation, making the East Bay and South Bay golf markets even more competitive.

DAILY FEE MARKET

The greater Bay Area features a highly competitive daily fee golf market. Though most of these facilities are not considered primary competitors of Chuck Corica, heightened competition has led to discounting of fees at some high quality courses, prompting some golfers who would normally play at generally lower fee municipal courses to occasionally travel to play "luxury" rounds. The table below contains a representative (though far from exhaustive) sampling of some area daily fee facilities, across different price points.

Summary Operating Data

Daily Fee Facilities							
Golf Course	Type	Location	Annual Rounds Played	18-Hole Peak Season Green Fee (WD/WE)	18-Hole Twilight Green Fee (WD/WE)	Per Person 18-Hole Cart Fee	Off Season Discounts (Yes/No)
Adobe Creek G.C.	18H-DF	Petaluma	44,400	$36/$40/$56[1]	$25/$28/$39	$14	No
Bridges GC	18H-DF	San Ramon	40,000	$65/$75/$85	$45/$55/$60	Included	Yes
Canyon Lakes C.C.	18H-DF	San Ramon	35,000	$55/$65/$80	$27/$60	Included	No
Cinnabar Hills Golf Club	27H-DF	San Jose	50,000	$80/$100	$60/$80	Included	Yes
Wente Vineyards	18H-DF	Livermore	40,000	$85/$105	$55/$65	Included	Yes
Coyote Creek Golf Club	36H-DF	Morgan Hill	75,000	$80/$86/$102	$65/$66/$75	Included	Yes
Crystal Springs G.C.	18H-DF	Burlingame	65,000	$44/$66	$36/$42	$14	Yes
Half Moon Bay	36H-DF	Half Moon Bay	90,000	$150/$175[2]	$80/$95	Included	No
Hiddenbrooke Golf Club	18H-DF	Vallejo	35,000	$65/$75/$95	$55/$65/$85	Included	Yes
Peacock Gap Golf & CC	18H-DF	San Rafael	60,000	$30/$46	$21/$31	$14	Yes
Poppy Ridge G.C.	27H-DF	Livermore	58,000	$57/$82[4]	$27/$38[4]	$16	No
Presidio Golf Course	18H-DF	San Francisco	62,000	$78/$90[5]	$32/$37/$52	$18	Yes
San Geronimo Golf Club	18H-DF	San Geronimo	55,000	$36/$40/$64	$25/$38	$15	No
StoneTree Golf Club	18H-DF	Novato	35,000	$85/$115	$65/$85	Included	No
Sunol Valley G.C.	36H-DF	Sunol	80,000	$31/$43	$23/$28	$14	Yes
Willow Park Golf Course	18H-DF	Castro Valley	N/A	$23/$34	$15/$15	$12	No

KEY
1 Resident fees are $28/$32/$44
2 Advance reservation green fee is $175/$195
3 Late twilight rates are $50/$60
4 NCGA and SCGA members receive significant discounts off this rate
5 San Francisco resident rates are $42/$65/$77

Note: Where three fees indicated, middle fee is for Friday

Significant Findings

- The above list is just a representative sampling of the daily fee market. Many of these courses provide formidable competition for area municipal courses, particularly during off peak times, when discounting of fees is prevalent. The list is not intended to be exhaustive, and Bay Area municipal courses compete with many other daily fee courses. Other high quality daily fee facilities that local golfers will travel to on occasion include Deer Ridge, Roddy Ranch, Shadow Lakes, and Brentwood GC in the Brentwood area, Chardonnay Golf Club in Napa, and the Links at Bodega Bay.

- Despite significantly higher peak time rates at most of these daily fee courses, they are competitive to area municipal courses due to discounting, mostly during off peak periods. For instance, though published rack rates may not change, about half of the daily fee courses in the market discount even their prime morning and weekend rates during the winter off season.

- Other forms of discounting are also prevalent in the market, with the most common type being twilight and super-twilight rates. Twilight rates, which are illustrated in the table above, generally start at noon or 1:00 pm and run until mid-afternoon, at which time still cheaper 'super' twilight rates are offered (often for unlimited play until dark). Twilight rates are typically accompanied by discounted carts.

- There are still other ways that discounting among daily fee courses manifests itself, including resident discounts, "player's clubs" (frequent player programs), and participation in on-line wholesale programs such as golfnow.com and golf707.com.

- Finally, many daily fee courses practice aggressive yield management, where tee sheets are carefully monitored and unsold inventory is offered at discounted rates with the idea that an unsold tee time is gone forever. A common practice of yield management is to form e-mail clubs and to send out blasts to customers advertising special deals for certain times of the week.

- An example of a fine daily fee facility that practices very aggressive yield management is the Presidio in San Francisco. The Presidio offers significant discounts to City residents, and its super twilight rates are only $25 weekdays and $30 weekends, with a discounted $12 cart. Additionally, the Presidio offers other ways for golfers to play very cheaply, including a "Twilight Player's Club" (pay $29 per month, and play anytime there is an opening while paying only the applicable cart fee), and the "Walk On" pass, which offers unlimited play for an entire year, with no fee, whenever there is an opening. This pass costs $1,700, which means a golfer playing only two times per week would effectively pay only $16.35 per round to play Presidio.

- As a result of new course openings, the 9/11 tragedies, and other economic factors, average rounds played at area daily fee courses are down about 20% to 30% since the late 1990s or 2000.

- In addition to rounds played being down, the majority of daily fee operators report that average daily rates (ADRs) – the actual green fee revenue divided by the number of rounds – have been stagnant or even declining over the last several years. This is obviously is a direct result of the discounting that has become prevalent in the market.

- The majority of daily fee courses in the market are not directly competitive to Lincoln and Sharp, due to location and the relative price/value proposition offered. However, as noted, deep discounting at certain times will prompt the golfer that is normally content with playing an average course for very affordable rates to play a higher quality course for a slightly higher cost.

ALTERNATIVE LENGTH FACILITIES

Below we compare the basic pricing structure at the Mif Albright Course to some other comparables in the market.

Summary Operating Data

Area Alternative Length Golf Courses

Golf Course	Type	Location	9-Hole Non-Resident Green Fee (WD/WE)	9-Hole Resident Green Fee (WD/WE)	9-Hole Senior Green Fee (WD/WE)	Replay Green Fee	Per Person Cart Fee
Chuck Corica (Mif Albright)	*9H-P*	*Alameda*	*$10/$12*	*$10/$12*	*$8/DNA*	*$7*	*$8*
Fleming GC @ Harding Park	9H-E	San Francisco	$25/$30	$20/$22	$14/$19[1]	$11	$7.50
Golden Gate Golf Course	9H-P	San Francisco	$14/$18	$10/$12	$7/$10	Applicable	DNA
Lake Chabot Par 3 Course	9H-P	Oakland	$8/$8	$8/$8	DNA	$8	DNA
Las Positas Executive Course	9H-E	Livermore	$16/$18	$16/$18	DNA	$8	$13
Mariners Point Golf Links	9H-P	Foster City	$16/$16	$12/$12	$12/$12	$10	DNA
Mill Valley Golf Course	9H-E	Mill Valley	$17/$19	$12/$14	$11/DNA	$10	DNA
Mission Hills of Hayward GC	9H-E	Hayward	$17/$20	$15/$18	$14[2]/DNA	$8/$10[3]	$8
Monarch Bay Executive Course	9H-E	San Leandro	$15/$20	$15/$20	$10/$10	$6/$8[4]	$10

KEY
P – Par 3
E – Executive
DNA – Does not apply
1 Resident only
2 Resident rate is $12
3 Resident/Non-resident
4 Weekday/weekend

Significant Findings

- Fees at Chuck Corica's Mif Albright course are, with the exception of the Lake Chabot Par 3, considerably lower than those at the other alternative length facilities we surveyed. These low fees are appropriate, given the relative quality of Mif Albright and these other facilities. Lake Chabot, since its re-opening, probably offers superior value to the Mif on its Par 3 course.

- Perhaps the premier Par 3 course in the market is Mariners Point in Foster City, which is a comprehensive teaching and practice center that features the 9-hole, par 3 golf course that is set along San Francisco Bay and is lighted for nighttime play. The facility also has 64 practice stalls on a variety of surfaces, including natural grass, and the hitting area has yardage markers and target greens. The short game facility includes well-manicured greens and bunkers to practice chipping, pitching and sand shots of varying distances. Mariners Point also has a fully stocked pro shop, with a large variety of hard and soft goods.

- Mission Hills, which the Hayward Area Park District opened in 1999, is a high quality well-maintained facility that features a highly successful night lighted, 50-stall, double-decked driving range and a fully equipped golf shop, in addition to the executive length golf course.

- Green fees at the City of San Francisco's 9-hole executive Fleming Course (at Harding Park) are considerably higher than those at other alternative length facilities in the market, and are similar to those at some of the 18-hole regulation courses in the market. Fees at Fleming are similar to the super twilight rates at some high quality daily fee courses in the market.

- There are no power carts available at Golden Gate, Mariners Point, or Mill Valley.

REGIONAL CASE STUDIES

Case study data of some regional municipal golf systems are presented to help identify some trends with respect to municipal golf in this regional market. Though the situations and experiences for these municipalities cannot be compared directly (it is not possible to compare apples to apples) to the City of Alameda due to the number of variables involved, the goal is to provide an illustration of how different local municipalities are operating their municipal golf systems, and how they are faring from an economic standpoint. What is clear is that there is some pain in the municipal golf market, but there are also some success stories.

Regional Municipal Golf

As the table below illustrates, regional municipal golf systems operate under a variety of structures, from entirely self-operational to fully privatized to a combination of the two. Following the table are some initial observations about municipal golf in this region, and a matrix of operating structures and results, along with some significant findings.

Examples of Regional Municipal Golf Operating Structures								
	Operations				Maintenance			
Municipality	City/Muni	Mgmt Co	Lease	Other	City/Muni	Mgmt Co	Lease	Other
Alameda	X				X			
Hayward Area R&PD [1]	X				X			
Mountain View	X				X			
Oakland		X				X		
Palo Alto		X			X			
Pleasanton		X				X		
Salinas	X				X			
San Jose (Los Lagos)		X				X		
San Leandro			X				X	
San Mateo	X				X			
Santa Clara		X				X		
Santa Cruz			X		X			
Sunnyvale	X				X			
San Francisco				X	X			
EBRPD [2] (Tilden Park)			X				X	
Livermore (Las Positas)			X		X			

1 R&PD = Recreation and Park District
2 EBRPD = East Bay Regional Park District

Some municipalities self-operate all aspects, while a variety of operating structures and contractual agreements govern the rest.

- Some are successful economically, some with regard to preservation and upkeep of the golf course assets, and some with both.
- Though there are many differences, there are also some commonalities:
  - The majority of local municipal golf systems operate as enterprise funds.
  - Most municipal golf systems in this regional market have experienced a considerable decline in activity levels since their peak (which was most often in the late 1990s)
  - Growth in expenses has outpaced growth in revenues.
  - Labor expenses are the single highest line item for expenses at these municipal golf courses.
  - All of the municipalities we surveyed that self-operate golf lease out the food & beverage operation at their facilities.
  - Many regional munis have undertaken large-scale capital improvements in recent years; virtually all have CIP set aside provisions to plan for future improvements.
  - There is typically a strong oversight function at the municipality, even when all or part of the operations are leased or concessioned.

- Municipalities that are struggling with golf are seeking solutions, either in the form of operational reviews (Palo Alto, San Jose, Walnut Creek, Livermore) such as this one, or through issuing RFPs seeking to privatize (see Oakland, Salinas).

Regional Case Study Summary Table

Municipality:	Alameda	Hayward Area	Mountain View	Oakland	Palo Alto	Pleasanton	Salinas	San Jose (Los Lagos) [1]	San Leandro	San Mateo	Santa Clara	Santa Cruz	Sunnyvale	San Francisco	EBRPD (Tilden Park)	Livermore (Las Positas)
# Facilities	1	2	1	1	1	1	1	1	1	1	1	1	2	5	1	1
# Holes	45	27	18	27	18	18	18	18	27	18	18	18	27	81	18	27
Enterprise Fund (Yes/No)	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	Yes	No [2]	Yes	No	Yes
Operating Structure (Operations/Mtce.)	City/City	Muni/Muni	City/City	See Text	Mgmt/City	Mgmt/Mgmt	City/City	Mgmt/Mgmt	Lease/Lease	City/City	Mgmt/Mgmt	Lease/City	City/City	Various/City	Lease/Lease	Lease/City
Current Annual Rounds Played	134,114	107,500	65,837	43,329	75,000	73,514	42,000	70,000	114,000	86,315	85,000	48,000	85,000	216,732	$75,000	85,000
Peak Annual Rounds Played	250,000	See Note [3]	75,000	80,475 [4]	108,000	DNA	N/A	N/A	N/A	100,000+	105,000	80,000	101,000	N/A	N/A	100,000+
Total Gross Revenue	$4,061,525	$3,127,000	$3,600,000	$1,385,000	N/A [5]	$4,485,000	$1,000,000	$3,900,000	$4,500,000	N/A [5]	$3,500,000	N/A [5]	$4,200,000	$11,125,000*	$4,500,000	$5,125,912
Total Revenue to Municipality	$4,061,525	$3,127,000	$3,600,000	$750,000	$3,350,000	$4,485,000	$1,000,000	$3,900,000	$768,000	$2,781,574	$3,500,000	$2,100,000	$4,200,000	$8,926,312	N/A	$2,264,799
Total Expense to Municipality (excluding debt)	$5,051,655 [6]	$3,440,000	$3,575,000 [7]	$734,500	$2,600,000	$2,900,000 [8]	$1,475,000	$2,750,000	$209,000	$1,732,346	$2,350,000 [9]	$1,950,000	$3,000,000	$9,805,952	N/A	$2,719,288
Total Operating Net to Municipality	($990,130)	($313,000)	$25,000	$15,500	$750,000	$1,585,000	($475,000)	$600,000	$559,000	$1,049,228	$1,150,000	$150,000	$1,200,000	($879,640)	N/A	($454,489)
Debt Service	$135,117	$0	$0	$0	$556,000	N/A	$375,000	$1,400,000	$520,635	$711,172	$0	$198,000	$0	$935,420	N/A	$0
Total Expense to Municipality	$5,186,772	$3,440,000	$3,575,000	$734,500	$3,156,000	N/A	$1,850,000	$4,150,000	$729,635	$2,443,518	$2,350,000	$2,148,000	$3,000,000	$10,741,372	N/A	$2,719,288
Total Net to Municipality	($1,125,247)	($313,000)	$25,000	$15,500	$194,000	N/A	($850,000)	($250,000)	$38,365	$338,056	$1,150,000	($48,000)	$1,200,000	($1,815,060)	N/A	($454,489)
Maintenance Expense	$2,078,970	N/A	$1,250,000	N/A	N/A	N/A	$820,000	$1,270,000	N/A	$1,016,212	N/A	$750,000	$1,700,000	$3,679,655	N/A	$2,600,000
Maintenance Staffing (FTEs)	18	9	11.5	N/A	9	14	8	N/A	15	10.25	N/A	12	15	47	N/A	14
Labor Expense	$2,315,558	$2,095,000	$1,510,000	N/A	$916,000	$1,335,000	N/A	N/A	N/A	$1,081,957	$850,000	N/A	$1,200,000	$5,513,780	N/A	$1,289,428
Labor Expense / Revenue Dollar	$0.57	$0.67	$0.42	N/A	$0.27	$0.30	N/A	N/A	N/A	$0.39	$0.24	N/A	$0.29	$0.62	N/A	$0.57
Cost of Production per Round	$38.67	$32.00	$54.30	$16.95	$42.08	N/A	$44.05	$59.29	$6.40	$28.31	$27.65	$44.75	$35.29	$49.56	N/A	$31.99
Cost of Production (excluding debt service)	$37.67	$32.00	$54.30	$16.95	$34.67	$39.45	$35.12	$39.29	$1.83	$20.07	$27.65	$40.63	$35.29	$45.24	N/A	$31.99
Labor Exp. %/Total Expense Budget	45.8%	60.9%	42.2%	N/A	35.2%	46.0%	N/A	N/A	N/A	62.5%	36.2%	N/A	40.0%	56.2%	N/A	47.4%

1 Complete information was not provided for San Jose Municipal, Rancho del Pueblo
2 Operates as part of Community Recreation Fund
3 Rounds at Skywest are down from a peak of 90,000+ in the late 1990s to the current 65,000
4 Highest number since 2000, but not necessarily all-time peak
5 Total gross revenue not available as aspects of the pro shop are concessioned

6 Includes $426,574 PILOT/ROI, $425,236 Cost Allocation, and $134,850 in Surcharges
7 This figure includes a $400,000 administrative charge from the General Fund
8 Represents estimate based on budget of $2.58 million, not including management fee
9 Doesn't include transfer to General Fund, which is equivalent to operating profits less a capital improvement set-aside

*NGF Consulting estimate
General Notes: Figures reported are for most recently available fiscal year (2005-06 for City of Alameda)
Gross reported for all systems includes a *net* lease payment for food & beverage
Difference between total gross revenue and total expense may not equal the net profit in some cases (see San Jose), as some municipalities reported total gross (cost of goods sold not deducted) while others reported *adjusted* gross revenue

Regional Case Study Significant Findings

- Labor expense per revenue dollar: average among nine reporting municipalities (excluding Alameda) was $0.42, compared to $0.57 for Alameda.
- Of 16 municipalities surveyed, six were self-operated by the municipality for both management and maintenance, three were contracted for management and maintained by municipality, and six were completely contracted out (San Francisco's five golf facilities were operated under a variety of methods).
- Of those municipalities surveyed (excluding Alameda), 11 reported making an operating profit; of these:
  - Three were municipality self-operated for both management and maintenance functions
  - Six were contracted out for both management and maintenance functions
  - Two were contracted for operations, but with municipal maintenance
- Seven of ten (debt information not available for Pleasanton) profitable systems made a profit *after* debt service; of these:
  - Two were municipality self-operated for both management and maintenance functions
  - Four were contracted out for both management and maintenance functions
  - One was contracted for operations, but with municipal maintenance
- The most profitable golf systems, before debt service, belonged to:
  - Pleasanton (management company) – an estimated $1.585 million
  - Sunnyvale (City self-operated and maintained) - $1.2 million
  - Santa Clara (management company) - $1.15 million
  - San Mateo (City self-operated and maintained) - $1.049 million
  - Palo Alto (management company/City maintenance) - $750,000
- Eight of fourteen reporting municipalities (excluding Alameda) had annual debt service, which averaged about $537,000. The highest debt service belonged to San Jose - $1.4 million for the construction of Los Lagos Golf Course; San Jose has additional debt for Rancho del Pueblo. The City of San Francisco's golf system will pay more than $1.4 million to the city's Open Space fund in 2006-07, debt related to the renovation of Harding Park.
- Alameda's cost of production per round in FY 2005-06 was the sixth highest among fifteen municipalities reporting, at $38.67 per round (including annual transfers).
- Excluding Alameda, labor as a percentage of the total expense budget averaged 47.4% among the nine municipalities reporting this measure. Alameda is at 45.8%.
- Alameda is tied with Livermore (Las Positas only) for the second highest labor expense per revenue dollar, at $0.57. Hayward Area is the highest at $0.67.
- All of the municipalities surveyed have Capital Improvement Plan provisions, regardless of how they are operated.

Capital Improvements

Many regional municipal golf facilities have recently undergone, or plan, major capital improvements; in the table below, we list examples of some of these improvements from a sample of regional municipalities.

Examples of Major Capital Improvements – Regional Municipal Golf Courses	
Municipality	**Capital Improvements / Policies**
City of Santa Clara	▪ Renovation of greens in late 1990s
City of Palo Alto	▪ Complete renovation of the golf course
City of Santa Cruz	▪ $3M renovation in 2004
City of San Mateo	▪ Complete renovation and new routing plan 1999-00 ▪ Added new 12,000-sq.ft. clubhouse that includes full-service pro shop, restaurant, and banquet space to accommodate 200
City of Oakland	Lake Chabot: ▪ Recently re-opened after renovation that included re-grassing, fertilization of greens, improved irrigation, cart path improvements, landscaping enhancements, remodeling/updating of clubhouse, overall course beautification ▪ Course still badly in need of major irrigation and drainage improvements, which are scheduled for the future
Hayward Area Recreation & Park District	Skywest GC: ▪ $1 million irrigation system ▪ $1.7 million clubhouse ▪ Currently reconstructing 3 to 5 greens at a time at cost of ~ $90,000 per green (paid out of District General Fund) ▪ Currently plans for $200,000 outdoor pavilion with seating for 200 to accommodate large tourneys Mission Hills: ▪ New driving range has been big success, with revenues of $665,000 and associated expense of only $275,000
East Bay Regional Park District	Tilden Park Golf Course: ▪ Currently building a new permanent stand-alone banquet facility, with a capacity of 230
City of Livermore	Las Positas Golf Course: ▪ Will undergo major improvements, partially financed through funds made available when a new public road necessitates changes to both the championship and executive courses. Improvements will include brand new cart paths and irrigation upgrades
City of Antioch	▪ Completed a new 20,000 sq. ft. clubhouse – the Lone Tree Golf and Event Center – in 2004; building can accommodate more than 300 guests for golf outings, meetings, and banquets
City of Mountain View	▪ City has made significant capital investment in course infrastructure since 1995 ▪ In late 2005, opened new 9,000 sq. ft. clubhouse, including cart storage ▪ New subsurface drainage system in 1999 (back nine) and 2000 (front nine), along with new computer-controlled irrigation system and large area of new turf ▪ No debt: paid by City
City of San Leandro	▪ Lessee was responsible for $10+ million renovation (construction of improvements, plus at least two re-grassings due to salt intrusion)
City of Salinas	▪ Jack Fleming course redesigned by Steve Halsey for complete renovation in 1999
City of Pleasanton	▪ Sets aside money for capital improvements even though facility is only 2 years old and revenues to the City are insufficient to pay annual debt service
City of Sunnyvale	▪ General Fund pays for large-scale capital improvements as needed

COMPETITIVE GOLF MARKET SUMMARY

The competitive golf market that Chuck Corica operates in is formidable. Of its five chief competitors, three – Metropolitan Golf Links, Monarch Bay, and Tilden Park - are very high quality facilities that offer very strong price/value propositions. Metropolitan and Monarch Bay have both undergone $10+ million renovations in recent years. The other two primary competitors – Skywest Golf Course and Lake Chabot Golf Course – are undertaking major capital improvement campaigns, and figure to be more formidable competitors for Chuck Corica in years to come.

Chuck Corica's five main competitors averaged 71,500 rounds played in 2005-06, ranging from about 43,000 rounds at Lake Chabot to 114,000 at Monarch Bay. Of the other regional municipal golf courses we surveyed, annual play averaged about 67,000 rounds per 18 holes. Despite losing more than 100,000 rounds off its peak activity levels of the late 1990s, Chuck Corica remains the busiest facility in the Bay Area golf market. Most area municipal operators report activity levels that are down by about 30% since peaking in the 1990s, a trend largely attributed to heightened competition. Los Lagos (San Jose) and Callippe Preserve (Pleasanton) are the newest entrants into the area municipal golf market, and both are high quality facilities that have had immediate market impact.

The greater Bay Area also features a highly competitive daily fee golf market, which has also experienced a decrease in average rounds played of about 20% to 30% since the late 1990s. Though NGF Consulting does not consider most daily fee facilities to be direct competition to Chuck Corica, discounting of fees is prevalent at many high quality courses, prompting some golfers who would normally play at generally lower fee municipal courses to occasionally travel to play "luxury" rounds. Many daily fee courses practice aggressive yield management, where tee sheets are carefully monitored and unsold inventory is offered at discounted rates with the idea that an unsold tee time is gone forever.

In this section, we also presented overviews of regional municipal golf systems to illustrate trends with respect to golf in this regional market. We observed a variety of operating structures, contractual agreements, and operating results, though there were some commonalities between systems. For instance, all of the systems have provisions for capital improvements, and many of the golf courses have undergone major improvements in recent years. We also observed that some municipal golf systems that are struggling economically are actively seeking solutions, including soliciting outside help from entities that have golf operations and maintenance expertise.

Chuck Corica Golf Complex
Golf Operations Review

In this section we will provide an overview of issues related to the overall operations of the Chuck Corica Golf Complex. Due to the very nature of consulting engagements such as these, this review will focus on some areas where changes may be in order or operations improved, rather than on the many positive attributes of the facility and its dedicated workers. Additionally, the topics covered are not meant to be exhaustive; rather, we focused on those issues that are most germane to continuing operations at Chuck Corica.

Both our review of the operations and the Golfer Survey Program that was implemented as part of this study have borne out that, though the golf facility has some problems, it enjoys a largely loyal, and very involved, local customer base that is very passionate about the future of Chuck Corica.

ADMINISTRATION AND MANAGEMENT

The City of Alameda's Chuck Corica Golf Complex is self-operated and self-maintained by the City's Recreation and Parks Department (ARPD). Chuck Corica has always been maintained by City employees, though the pro Shop had been contracted in the past, most recently about 15 years ago. At that time, the Assistant Director of the ARPD oversaw the golf course.

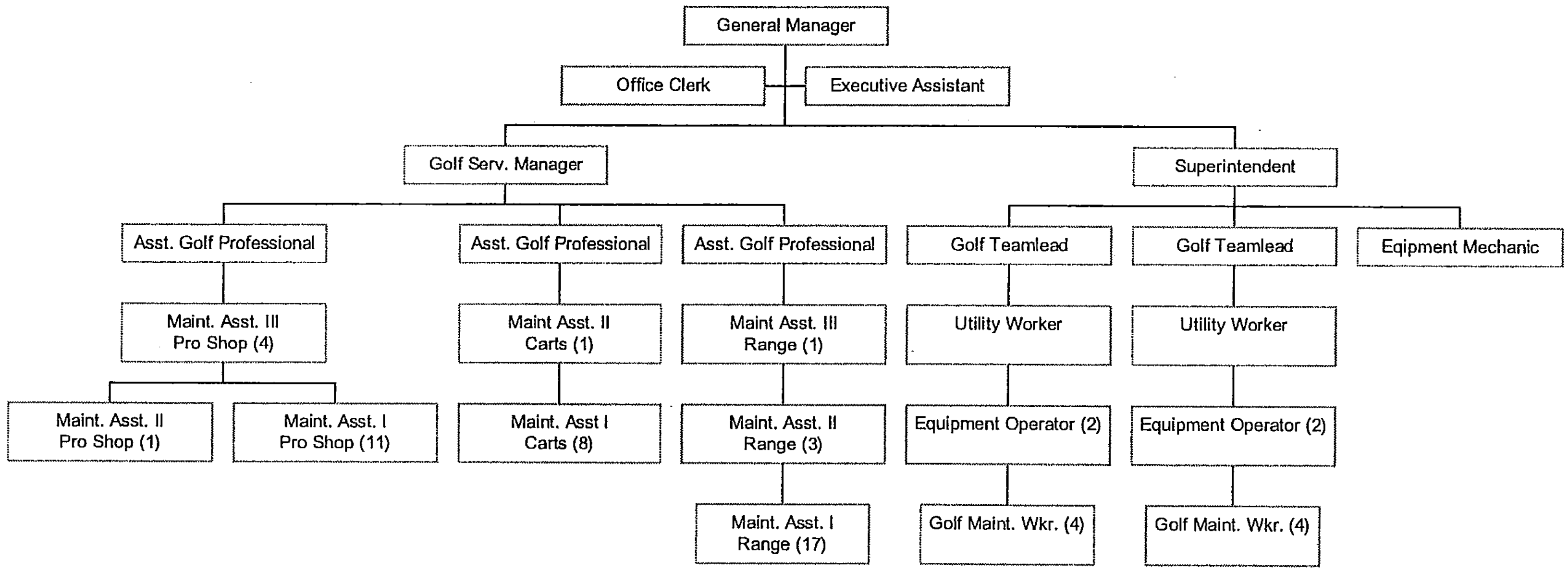
Golf became a separate division under Parks in 1993, at which time a General Manager position was created. In about 1996-97, the Golf Division was created as a stand-alone division, apart from Parks. The General Manager remains the highest position in the Golf Division, answering directly to the City Manager.

The second highest positions at Chuck Corica are the Superintendent, in charge of daily maintenance of the three courses, and the Golf Services Manager, who functions in the traditional "Head Golf Professional" role. The most recent General Manager went out on personal leave in early 2007, and did not return. During the current absence, Chuck Corica is being managed by an interim General Manager from the ARPD. It is NGF Consulting's understanding that the GM position will not be filled.

The basic organizational chart for Chuck Corica Golf Complex is as follows:

Organizational Chart

Chuck Corica Golf Complex Organizational Chart



Golf Commission

The City of Alameda also has a seven-member Golf Commission, which consists of Alameda citizens appointed by the Mayor. The primary functions of the Golf Commission are:

- Hold public meetings
- Inform itself regarding promotion and operation of the golf complex
- Consult and advise senior golf staff
- Recommend/advise City Council regarding operational policies and fee structure

GOLF ENTERPRISE FUND

The City of Alameda Golf Division operates as an Enterprise Fund, and as such is expected to operate like a business with revenues expected to cover operational and maintenance expenses, capital improvement costs and any debt that may be incurred by the system. It is extremely important to maintain and manage the Enterprise Fund in a fiscally responsible manner so that the users of the facilities (golfers) are not only supporting the daily operational and maintenance costs, but also the long-term capital improvement projects to keep the facility competitive with the local golf market and up to today's industry standards. As we will see later in this section, the Golf Division has fallen into the red, after annual transfers to the General Fund. Additionally, the Unrestricted Fund Balance, which acts as an operational reserve, has been decreased significantly over the last two years.

ANNUAL TRANSFERS

Annual Transfers (excluding Debt Service) from the Golf Enterprise Fund to the General Fund break comprise the following components:

1. Cost Allocation
2. PILOT (Payment in Lieu of Taxes)
3. ROI (Return on Investment)
4. Surcharges

Cost Allocation represents the costs of operating shared facilities, which are then allocated based on square footage. These costs are then distributed to other departments, based on percentage of services provided to those departments. Only non-General Fund departments are charged Cost Allocation, otherwise the charge would be in one hand and out the other. The Cost Allocation Plan (CAP) is developed by a private consulting firm that is hired by the City and has expertise in public agency accounting. CAP is developed every two years. In the interim year, allocation costs are determined by adjusting the CAP according to the latest Consumer Price Index (CPI) and modified by other "special" circumstances.

PILOT is intended to substitute for property taxes that would have been received by the General Fund if the property were privately owned. The ROI, added for the 2004-04 Fiscal Year, is intended to provide a return on the investment by the General Fund as the "owner" of the Golf facility. Other enterprise funds that are charged the PILOT and ROI are Sewer and AP&T.

Surcharges are essentially extra fees built into certain green fee categories at Chuck Corica (either $1 or $4, depending on the category). The City has accounted for surcharges as a "reduction in revenue" in the past, as opposed to an expense. It is NGF Consulting's understanding that it will come under Operating Expenses in future reporting and budgets. With, this change, it is also our understanding that all of the annual transfers will now be listed as "Operating Expenses" from the City's perspective. We are told that there has been confusion in the past, because different sources, such as the Chuck Corica General Manager's Financial Reports and the City's Comprehensive Annual Financial Report (CAFR), account for these transfers in different ways. In any case, these transfers have totaled nearly $4.4 million over the last five fiscal years.

FEES

Fees at Chuck Corica reflect the common municipal scenario, where residents receive discounted rates. Fees are approved annually by the City Council, with advisory input from the Golf Commission. The fee structure for Chuck Corica is quite cumbersome, with 31 different fee categories, excluding 10 different "Comp" designations. Chuck Corica also has four different monthly ticket categories; these tickets allow unlimited play Monday through Thursday, and play after 4:00 p.m. on Friday.

The following fees from 2005-06 are examples of how fee categories show some redundancy in price, and where they potentially could be combined to streamline the structure (differential pricing at Earl Fry and Jack Clark changed these fees somewhat in April 2007).

- Twilight weekend resident - $19
- Twilight weekday resident - $18
- Senior weekday resident - $19
- 9-hole weekday resident - $18
- Late twi weekend resident - $18
- 9-hole weekday non-res - $20

There is currently limited flexibility in the system to adjust fees seasonally or based on demand, without Council approval. This policy, though not uncommon at municipal golf courses, may put Chuck Corica at a competitive disadvantage compared to privately-operated daily fee facilities as well as some other municipal golf courses, which are able to practice time-appropriate yield management. The Golf Services Manager also notes that it would be appropriate to have discounted fees during overseeding, or when one or both courses are "cart path only" due to recent rains.

The table below summarizes the major fee categories for Chuck Corica, for Fiscal Year 2000-01, FY 04-05, and April, 2007 (reflecting the most recent years that fees have changed at Chuck Corica). The Alameda City Council improved green fee increases across some categories, including monthly tickets, in February of 2007. In the table, the daily green fees shaded in light blue reflect the most recent increases in fees, while yellow shading indicates those categories that actually decreased. Along with the fee changes, the Council approved the institution of cart fees for marshals, and designated Friday as a weekday (in 1998, Friday had become a weekend day and monthly play privileges were discontinued on Fridays).

Until April 2007, fees were identical at the Earl Fry and Jack Clark courses. Differential pricing of these two facilities was one of the recommendations that came out of a recent pricing analysis done for Chuck Corica by a previous consultant. The finding was based on the premise that there is differential demand for the two courses, and rounds played figures bear this out.

Chuck Corica GC - Current Fees and Recent Adjustments				
Fees/Rates [1]	FY 2000/01	FY 2004/05	New Rates at 4/1/07	
Earl Fry & Jack Clark Courses			Earl Fry	Jack Clark
18 Holes				
Weekday Resident	$21	$23	$25	$23
Weekday Non-resident	$28	$30	$30	$28
Weekday Sr. Resident	$17	$18	$20	$18
Weekday Sr. Non-resident	$21	$23	$25	$23
Weekend Resident	$24	$27	$32	$28
Weekend Non-resident	$31	$35	$40	$36
Twilight				
Weekday Resident	$17	$18	$20	$18
Weekday Non-resident	$22	$23	$25	$23
Weekend Resident	$18	$19	$25	$21
Weekend Non-resident	$24	$25	$27	$25
Late Twilight				
Weekday Resident	$13	$13	$15	$13
Weekday Non-resident	$16	$16	$18	$16
Weekend Resident	$14	$14	$16	$14
Weekend Non-resident	$18	$18	$18	$16
Early A.M. 9-Hole Back Nine				
Weekday Resident	NA	$16	$16	$16
Weekday Non-resident	NA	$20	$20	$20
Weekend Resident	NA	$18	$18	$16
Weekend Non-resident	NA	$23	$23	$21
Juniors				
Weekday Resident	$1	$1	$1	$1
Weekday Non-resident	$8	$8	$10	$8
Tournaments [2]				
Weekday	$29	$55	$50	$48
Weekday Senior			$38	$36
Weekend	$32	$55	$60	$56

Chuck Corica GC - Current Fees and Recent Adjustments (cont'd)				
Mif Albright 9-H Course (Res & Non-res)	**FY 2000/01**	**FY 2004/05**	**Rates at 4/1/07**	
Weekday	$8	$9	$10	
Weekend	$10	$11	$12	
Second 9 Replay	$6	$7	$7	
Seniors				
Weekday	$6	$7	$8	
Second 9 Replay	$5	$6		
Juniors [3]				
Alameda Resident	$1	$1	$1	
Non-resident	$4	$4	$5	
Second 9 Replay	NA	$5		
Monthly Tickets (7-Day Tee-time Policy) [4]				
Resident Sr (Mon-Thu + Fri after 4 pm)	$75	$85	$100	
Residents (Mon-Thu + Fri after 4 pm)	$90	$100	$115	
Non-residents Senior			$160	
Non-residents (Mon-Thu + Fri after 4 pm) [5]	$120	$130	$195	
Golf Cart Rentals (per person)				
Mon-Fri 18 or 9 holes	$14	$14	$15	
Sat, Sun, Hol	$14	$14	$15	
Seniors, Weekday	$11	$11	$13	
Single, Mon-Sun	$18	$18	$15	
Twilight/ Late Twilight in 2007	$9	$9	$10	
Mif			$8	
Driving Range Balls				
Small	$4	$4	$3	
Medium	$6	$6	$5	
Large	$8	$8	$7	
Extra Large			$9	
Practice Area			$5	w/ small bucket

1 Weekday was Monday-Thursday; Weekend was Fri-Sun+ Holidays until 2007; in 2007, Weekday was changed to Mon-Fri; Weekend is Sat, Sun, and Holidays
2 For 04-05, 2007, cart is included; all but senior tournaments include $5 merchandise
3 Junior Rates effective Weekdays after noon; Weekends/Holidays after twilight
4 Monthly "Tickets" changed in 2007 to Monthly "Passes," and Friday play is now only at Jack Clark
5 Non-resident pass holders paid a surcharge of $3 per round until 2007; now no surcharge

In an attempt to gauge the price elasticity of demand at Chuck Corica, NGF Consulting analyzed relative rounds played levels at both the Earl Fry and Jack Clark courses for the time periods of May/June 2006 and May/June 2007. Fee increases actually went into effect in April 2007, but April was excluded from the analysis because April 2006 was exceptionally rainy. Conversely, we were told that the two-month May-June periods for both years had only one designated "rain day".

As we can see from the following table, there were some interesting contrasts between the two years:

- For the Jack Clark course, where there were modest fee adjustments both up and down, little difference was noted between the two years, with total rounds down by about 1.5%, average green fee revenue per round up by 1.1%, and total revenues down by $418.

- On the Earl Fry course, the two years looked quite different:

- Weekend 18-hole resident play was up 32%, despite a $5 jump in green fees. This resulted in a 19.15% increase in average green fee revenue per round, and an overall increase in revenues for this category of $15,447.

- Weekend 18-hole *non-resident* play was down a marginal 3%, after the same $5 increase in green fees. However, total revenues were up, despite the drop in rounds, by nearly $14,000 due to a 31.2% increase in average green fee revenue per round.

- Despite $2 per round increases in the weekday twilight rates, rounds *exactly doubled* for this category in May/June 2007, resulting in increased revenues of more than $13,500.

- Weekend twilight rounds, which included a $6 increase in green fees for residents, went down modestly. However, average green fee revenue per round went up by more than 20%, resulting in an increase in revenues of nearly $1,700.

- Despite modest fee increases of $2 per round, late twilight rounds played fell off by more than 80% for both weekday and resident play, while non-resident play was virtually unchanged. Late twilight resident revenues declined by just under $10,000.

- The net changes for the North course over the two years were positive. Total rounds were up by 13.25%, average green fee revenue per round was up 17.76%, and total green fee revenue was up by $54,328, or by exactly one-third.

Earl Fry - Rounds Comparison May/June 2006 vs. May/June 2007

Round Type	2006 Fee	2007 Fee	% Change	2006 Rounds	2007 Rounds	% Change	2006 Revenue	2007 Revenue	2006 Rev. Per Round	2007 Rev. Per Round	% Change	Net Revenue Change
18 Holes												
Weekday Res	$23	$25	8.70%	628	875	39.33%	$14,444	$21,875	$23	$25	8.70%	$7,431
Weekday Sr Res	$18	$20	11.11%	990	955	-3.54%	$17,820	$19,100	$18	$20	11.11%	$1,280
Weekday Sr Non-res	$23	$25	8.70%	896	1,249	39.40%	$20,608	$31,225	$23	$25	8.70%	$10,617
Weekend Res	$27	$32	18.52%	1,000	1,322	32.20%	$26,857	$42,304	$27	$32	19.15%	$15,447
Weekend Non-res	$35	$40	14.29%	1,663	1,616	-2.83%	$50,693	$64,640	$30	$40	31.22%	$13,947
Twilight												
Weekday Res	$18	$20	11.11%	164	320	95.12%	$2,872	$6,400	$18	$20	14.21%	$3,528
Weekday Non-res	$23	$25	8.70%	328	664	102.44%	$6,584	$16,600	$20	$25	24.54%	$10,016
Weekend Res	$19	$25	31.58%	243	230	-5.35%	$4,729	$5,750	$19	$25	28.46%	$1,021
Weekend Non-res	$25	$27	8.00%	270	247	-8.52%	$5,994	$6,669	$22	$27	21.62%	$675
Late Twilight												
Weekday Res	$13	$15	15.38%	345	66	-80.87%	$7,917	$990	$23	$15	-34.63%	-$6,927
Weekday Non-res	$16	$18	12.50%	55	52	-5.45%	$739	$936	$13	$18	33.96%	$197
Weekend Res	$14	$16	14.29%	149	19	-87.25%	$3,362	$304	$23	$16	-29.09%	-$3,058
Juniors												
Weekday Non-res	$8	$10	25.00%	22	33	50.00%	$176	$330	$8	$10	25.00%	$154
Totals				**6,753**	**7,648**		**$162,795**	**$217,123**	**$24.11**	**$28.39**		**$54,328**

Jack Clark - Rounds Comparison May/June 2006 vs. May/June 2007

Round Type	2006 Fee	2007 Fee	% Change	2006 Rounds	2007 Rounds	% Change	2006 Revenue	2007 Revenue	2006 Rev. Per Round	2007 Rev. Per Round	% Change	Net Revenue Change
18 Holes												
Weekday Non-res	$30	$28	-6.67%	392	692	76.53%	$11,760	$19,376	$30	$28	-6.67%	$7,616
Weekend Res	$27	$28	3.70%	1,489	1,032	-30.69%	$40,203	$28,896	$27	$28	3.70%	-$11,307
Weekend Non-res	$35	$36	2.86%	1,309	1,391	6.26%	$45,815	$50,076	$35	$36	2.86%	$4,261
Twilight												
Weekend Res	$19	$21	10.53%	213	230	7.98%	$3,914	$2,814	$18	$12	-33.42%	-$1,100
Late Twilight												
Weekend Non-res	$18	$16	-11.11%	8	16	100.00%	$144	$256	$18	$16	-11.11%	$112
Totals				**3,411**	**3,361**		**$101,836**	**$101,418**	**$29.86**	**$30.17**		**-$418**

As we noted earlier, these two periods were reported to have the same number of "rain" days, which is a somewhat arbitrary designation that does not correlate with the course being closed for an entire day. However, assuming that weather was largely similar over the same two-month periods in 2006 and 2007, it would appear that the market absorbed the green fee increases across most categories, and that they had the desired affect – increasing revenues.

Despite these results, it should be noted that there are likely many other variables that we cannot be aware of (economic, condition of the courses, condition/pricing at the time of competitive courses) that may have had an affect on relative play between the two years. What we can conclude is that the market absorbed the fee increases without a drop in play, at least for this two-month sample. Management at Chuck Corica should carefully monitor play trends, especially across those categories that have had fee increases, for the first full year they are in effect. NGF Consulting presented a discussion of Chuck Corica's green fees, relative to its primary competitors, in a previous section of this report. We will further address this issue in the Recommendations section later in this report.

STAFFING

As noted earlier, staffing at Chuck Corica includes the Superintendent, the Golf Services Manager and, until recently, a General Manager. In addition, an Office Clerk and an Executive Assistant, who is responsible for many administrative and accounting functions, report directly to the Interim General Manager. In total, there are five full-time positions staffed in Administration, the Pro Shop, and the Driving Range. These divisions also have about 23 part-time workers, though actual staffing fluctuates due to high turnover. Up to 37 part-time workers are authorized for these divisions.

From the Maintenance perspective, there are 17 full-time employees in addition to the Superintendent, including a Mechanic and two "Golf Teamleads", or foremen. There are also four part-time maintenance workers. In add the traditional "Head Golf Professional" role. Total budgeted staffing for the Chuck Corica is summarized in the table below. As noted, actual current part-time staffing is considerably below authorized levels.

NGF Consulting notes a decrease of 10 total part-time authorized positions since the 2005-06 budget year, mostly in the pro shop and driving range divisions. However, it is not clear how much *actual* staffing was affected, if at all. During the same time, full-time staffing in the Maintenance area has been cut by two positions.

Depending on who we spoke to, we could conclude that *non-maintenance* staffing was either insufficient or excessive. The Golf Services Manager and some other employees in the pro shop think it is the latter, at least as it applies to part-time labor. Without observing day-to-day operations, including the critical customer service function, for an extended period, it is impossible to determine whether current staffing levels are sufficient for the facility to run in a most efficient manner, or whether personnel need to be cut or added. What is clear at Chuck Corica is that staffing levels, especially part-time, are hard to optimize. We have observed this at many golf facilities simply due to the variability of demand throughout the year, week, and even day. Scheduling and staffing is simply tricky, as demand comes in pulses, and staffing extra workers for entire shifts because the pro shop is very busy between 8:00 a.m. and 10:00 may not be the most efficient solution.

Chuck Corica Golf Complex Staffing Summary			
Division	**Actual 2005-06**	**Requested 2006-07**	**Requested 2007-08**
Administration			
Authorized Positions:			
Full Time	2.00	2.00	2.00
Part Time	1.00	1.00	1.00
Total	3.00	3.00	3.00
Budget	$278,386	$288,840	$295,053
Maintenance			
Authorized Positions:			
Full Time	20.00	18.00	18.00
Part Time	5.00	4.00	4.00
Total	25.00	22.00	22.00
Budget	$1,466,611	$1,509,246	$1,472,357
Driving Range			
Authorized Positions:			
Full Time	1.00	1.00	1.00
Part Time	20.00	15.00	15.00
Total	21.00	16.00	16.00
Budget	$184,511	$174,283	$175,488
Pro Shop			
Authorized Positions:			
Full Time	3.00	3.00	3.00
Part Time	16.00	12.00	12.00
Total	19.00	15.00	15.00
Budget	$319,738	$358,193	$369,495
Golf Carts			
Authorized Positions:			
Full Time	0.00	0.00	0.00
Part Time	9.00	9.00	9.00
Total	9.00	9.00	9.00
Budget	$220,589	$190,718	$184,684
Total All Positions			
Authorized Positions:			
Full Time	26.00	24.00	24.00
Part Time	51.00	41.00	41.00
Total	77.00	65.00	65.00
Budget	$2,469,835	$2,521,280	$2,497,077

There are no industry standards that can be referenced to determine the appropriate staffing levels for a golf operation. The number of staff needed for a particular golf operation depends on several factors. According to NGF's research publication, *Operating & Financial Performance Profiles of 18-Hole Facilities in the U.S. – 2005 Edition*, the national average per 18-hole municipal golf facility is 17.3 full-time employees, for those facilities with golf revenue in excess of $1.0 million. Some factors influential in determining appropriate staff:

- The average number of rounds a facility plays each day.
- The types and level of player services provided by the facility.
- The number and size of tournaments and outings or other special events a facility accommodates each day, week or month.
- The physical layout of the facility.
- Training and experience of the employees.
- Level of management supervision.

Recognizing that there are too many variables (especially with regard to maintenance) involved with golf facility staffing to compare apples to apples, for illustration purposes we present a summary of staffing levels at some other area public golf courses. (Some facilities supplied general and administrative staffing information, some maintenance, and some both).

Lake Chabot
At 27-hole Lake Chabot, all employees work for the management company. Though a breakdown between part-time and full-time was not available, there are 21 total employees for the pro shop, outside services, and the restaurant. This includes a General Manager and a *Head Golf Professional, who has teaching responsibilities only.* In the Maintenance area, there are 7 full-time (including the Superintendent), and no part-time workers, though the facility is currently seeking part-time help.

Tilden Park
At Tilden, American Golf employs a General Manager, a Head Pro/Director of Instruction (again, instruction only, nothing in shop or administrative), an Assistant G.M., 3 other full-time pro shop workers, a Food & Beverage Director, 5 staff instructors (hourly + percentage), and 11 part-time outside services workers.

Skywest
Hayward Area employs a Head Pro, 7 f/t pro shop workers ("starters"), 5 to 10 p/t outside services workers (staffing depends on season), and a P/T bookkeeper. On the Maintenance side, there is a Super, a Senior Caretaker (Foreman), a Mechanic, 6 f/t caretakers, and 2 to 4 p/t laborers, none in winter.

Palo Alto
The pro shop is concessioned out, and the private contractor employees 20 total people for the pro shop and outside services. The City does course Maintenance, and employs a Super, a Crew Leader, a mechanic, an irrigations specialist, and 5 other full-time laborers.

Shoreline Golf Links
Mountain View's budget includes a Head Pro, a Retail/Tournament Manager, approximately 5.75 FTEs of Assistant Golf Pros, 0.5 FTEs for a Teaching Pro, 0.5 FTEs for an Accounting

Tech, and 0.75 FTEs for a Secretary. There are 13 to 20 other p/t ("hourly") workers, for both outside services and maintenance, who are budgeted for 16,000 hours (equivalent to about 15 twenty-hour p/t people per week) for the year. The f/t Maintenance staff, including Super, is 10.

NGF Consulting did an operational review for the City of Mountain View in 2005 and found the management to be top heavy. We recommended eliminating one position and consolidating some responsibilities. For the current budget year, the City has done so; the Golf Course Manager position has been eliminated, and the Assistant Community Services Director has taken over that position's responsibilities. Thirty percent of her time is allocated to Golf, resulting in savings to the golf enterprise fund of about $100,000 this year.

Monarch Bay
At the 27-hole Monarch Bay, American Golf employs a General Manager, a Director of Instruction, an Assistant G.M., a Food & Beverage Director, 1 full-time instructor, and 6 other full-time pro shop/F&B workers. Full-time workers are a combination of hourly and salary. The course also employs 15 f/t Maintenance workers, and 30 p/t workers overall between the pro shop, maintenance, and F&B. Full-time workers are a combination of salary and hourly.

Metropolitan
The facility employs a General Manager, a Golf Operations Manager, 3 f/t "starters" in the pro shop, and 4 p/t workers in the pro shop. There are 7 workers for outside services, all p/t. the Maintenance crew consists of 11 f/t workers, including the Superintendent. Formerly, Metropolitan also had Head Pro/Director of Golf and Tournament Director Positions. In an effort to be more efficient, management recently eliminated these positions and created the Golf Operations Manager; the main responsibilities of this position are customer service, tournament sales and facilitation, and merchandising. Interestingly, the position is occupied by Lynn Jones, a former starter at Chuck Corica.

Harding Park
The City of San Francisco self-maintains the 27-hole Harding Park with 24 full-time employees, and retains a management company for daily operations. The following full-time staffing was budgeted by the City and the management company for the 2006-07 budget year:

- General Manager (vacant in FY 05-06, budgeted for 06-07)
- Director of Golf (vacant in FY 05-06, budgeted for 06-07)
- Property Controller
- Event Sales Director (Tournament Sales)
- Assistant Golf Professional
- 5 Pro Shop Counterpersons
- Building Maintenance Supervisor
- Food & Beverage Director
- Assistant F&B Director
- F&B Supervisor
- Catering Coordinator
- 7 other full-time workers in kitchen

OPERATING PERFORMANCE OF CHUCK CORICA GOLF COMPLEX

The tables below summarize the economic performance of Chuck Corica between FY 2001-02 and FY 05-06, as reported by the City's Chief Financial Officer. (Year-end audited figures for 2006-07 were not available at the time of this report). In this first table, surcharges are shown as a reduction in revenue, and PILOT/ROI is shown as an operating expense.

Overall Results FY 2001-02 to FY 2005-06

Attendance:	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
Earl Fry	90,238	88,070	79,763	67,184	66,969
Jack Clark	72,963	72,169	64,448	57,023	48,576
Mif Albright	43,776	37,874	34,726	27,400	18,569
Total	206,977	198,113	178,937	151,607	134,114
Rain Days:	-30-	-30-	-35-	-70-	-76-
Cash Receipts:					
Earl Fry Green Fees	$1,423,865	$1,452,901	$1,410,737	$1,298,453	$1,269,202
Jack Clark Green Fees	1,220,961	1,243,779	1,177,919	1,066,589	908,951
Mif Albright	259,747	201,565	226,933	186,943	130,908
Resident ID Cards	11,975	10,103	8,649	6,200	4,618
Monthly Tickets	362,901	367,322	336,570	301,583	222,329
Gift Certificates	24,985	35,891	9,620	(14,686)	-6,176
Locker/Reserv.	440	357	1,684	1,103	3,734
Restaurant	73,003	70,181	74,639	52,021	47,935
Pro Shop Sales	407,190	389,844	367,483	384,466	352,884
Lessons	279,730	237,424	225,293	194,156	184,265
Pro Shop Rentals	33,546	32,166	33,860	36,043	30,853
Cart Rental	582,162	538,064	517,152	460,983	412,881
Driving Range	663,406	641,361	542,590	442,042	431,574
Other Contributions	1,132	739	48,591	897	410
Total Receipts	$5,345,043	$5,221,697	$4,981,720	$4,416,793	$3,994,368
Expenditures:					
Surcharge Payment	$ 240,130	$ 230,084	$ 203,688	$ 156,825	$ 134,850
Operating Expenses:					
G&A (PILOT/ROI)	202,842	187,719	190,925	418,330	426,574
Wages and Benefits	1,813,539	2,026,703	2,141,067	2,226,482	2,315,558
Professional Services	516,637	489,735	431,596	377,567	345,637
Communications	24,724	22,479	23,865	18,853	18,279
Utilities	359,738	389,094	445,630	368,457	377,208
Transportation	6,242	6,444	5,411	5,083	6,223
Equipment Repair & Maintenance	9,501	19,515	27,531	21,421	30,814
Credit Card charges	68,829	68,496	64,580	48,725	34,916
Notices and Publications	350	0	0	0	0
Depreciation	367,587	372,161	333,463	291,530	360,283
Operating Supplies	48,611	58,854	58,239	60,669	98,933
Office supplies	23,902	14,585	28,227	8,422	14,045
Repair & Maint supplies	537,036	540,516	576,999	532,548	463,099
Total Operating Expenses	$4,219,668	$4,426,385	$4,531,221	$4,534,912	$4,626,419
Operating Income / (Loss)	$1,125,375	$ 795,312	$ 450,499	$ (118,119)	$ (632,051)
Non Operating Revenues/(Expenditures):					
Interest Income	$84,158	$91,913	$(6,538)	$ 60,360	$46,453
Misc. Rental Income	29,036	32,659	37,451	39,292	37,540
Interest Expense on Leased Equipment					
Total Non Operating	$75,674	$96,300	$20,078	$77,487	$67,157

Overall Results (cont'd)					
Attendance:	**Fiscal Year 2001-2002**	**Fiscal Year 2002-2003**	**Fiscal Year 2003-2004**	**Fiscal Year 2004-2005**	**Fiscal Year 2005-2006**
Transfers In -	$ 510,393	$ 0	$ 0	$ 739	$ 0
Transfers Out:					
Cost Allocation - General Fund	(301,007)	(318,557)	(331,861)	(342,321)	(351,691)
Cost Allocation - Other Funds	(65,085)	(68,338)	(71,756)	(71,402)	(73,545)
Equipment Replacement charge	(86,372)	0	0	0	0
Capital Improvements -	(67,400)	0	0	0	0
Debt Services (Principal and Interest)					
Total Transfers Out	$ (655,173)	$ (521,915)	$ (538,637)	$ (547,773)	$ (560,353)
NET INCOME / (LOSS)	1,056,269	369,697	(68,060)	(587,666)	(1,125,247)
Unrestricted Fund Balance	$3,449,272	$3,887,521	$3,929,533	$3,513,890	$2,611,243

The following table shows the same time period, but from a different perspective. Specifically, we have put surcharges and PILOT/ROI "below the line" to give a more accurate picture of what is actually happening at Chuck Corica from an operational standpoint.

Chuck Corica Operating Results (Transfers "Below the Line")					
Attendance:	**Fiscal Year 2001-2002**	**Fiscal Year 2002-2003**	**Fiscal Year 2003-2004**	**Fiscal Year 2004-2005**	**Fiscal Year 2005-2006**
Earl Fry	90,238	88,070	79,763	67,184	66,969
Jack Clark	72,963	72,169	64,448	57,023	48,576
Mif Albright	43,776	37,874	34,726	27,400	18,569
Total	206,977	198,113	178,937	151,607	134,114
Rain Days:	-30-	-30-	-35-	-70-	-76-
Cash Receipts:					
Earl Fry Green Fees	$1,423,865	$1,452,901	$1,410,737	$1,298,453	$1,269,202
Jack Clark Green Fees	1,220,961	1,243,779	1,177,919	1,066,589	908,951
Mif Albright	259,747	201,565	226,933	186,943	130,908
Resident ID Cards	11,975	10,103	8,649	6,200	4,618
Monthly Tickets	362,901	367,322	336,570	301,583	222,329
Gift Certificates	24,985	35,891	9,620	(14,686)	-6,176
Locker/Reserv.	440	357	1,684	1,103	3,734
Restaurant	73,003	70,181	74,639	52,021	47,935
Pro Shop Sales	407,190	389,844	367,483	384,466	352,884
Lessons	279,730	237,424	225,293	194,156	184,265
Pro Shop Rentals	33,546	32,166	33,860	36,043	30,853
Cart Rental	582,162	538,064	517,152	460,983	412,881
Driving Range	663,406	641,361	542,590	442,042	431,574
Other Contributions	1,132	739	48,591	897	410
Total Receipts	$5,345,043	$5,221,697	$4,981,720	$4,416,793	$3,994,368

Chuck Corica Operating Results (Transfers "Below the Line") (cont'd)					
Expenditures:	**Fiscal Year 2001-2002**	**Fiscal Year 2002-2003**	**Fiscal Year 2003-2004**	**Fiscal Year 2004-2005**	**Fiscal Year 2005-2006**
Operating Expenses					
Wages and Benefits	$1,813,539	$2,026,703	$2,141,067	$2,226,482	$2,315,558
Professional Services	516,637	489,735	431,596	377,567	345,637
Communications	24,724	22,479	23,865	18,853	18,279
Utilities	359,738	389,094	445,630	368,457	377,208
Transportation	6,242	6,444	5,411	5,083	6,223
Equipment Repair & Maintenance	9,501	19,515	27,531	21,421	30,814
Credit Card charges	68,829	68,496	64,580	48,725	34,916
Notices and Publications	350	0	0	0	0
Depreciation	367,587	372,161	333,463	291,530	360,283
Operating Supplies	48,611	58,854	58,239	60,669	98,933
Office supplies	23,902	14,585	28,227	8,422	14,045
Repair & Maint supplies	537,036	540,516	576,999	532,548	463,099
Total Operating Expenses	$3,776,696	$4,008,582	$4,136,608	$3,959,757	$4,064,995
Operating Income / (Loss)	$1,568,347	$1,213,115	$ 845,112	$ 457,036	$(70,627)
Non Operating Revenues/(Expenditures):					
Interest Income	$84,158	$91,913	$ (6,538)	$60,360	$46,453
Misc. Rental Income	29,036	32,659	37,451	39,292	37,540
Interest Expense on Leased Equipment	(37,520)	(28,272)	(10,835)	(22,165)	(16,836)
Total Non Operating	$75,674	$96,300	$20,078	$77,487	$67,157
Income (Loss) Before Operating Transfers	$1,644,021	$1,309,415	$ 865,190	$ 534,523	$ (3,470)
Transfers In -	510,393	0	0	739	0
Transfers Out					
General Administrative (PILOT))	(202,842)	(187,719)	(190,925)	(418,330)	(426,574)
Surcharge Payment	(240,130)	(230,084)	(203,688)	(156,825)	(134,850)
Cost Allocation - General Fund	(301,007)	(318,557)	(331,861)	(342,321)	(351,691)
Cost Allocation - Other Funds	(65,085)	(68,338)	(71,756)	(71,402)	(73,545)
Equipment Replacement charge	(86,372)	0	0	0	0
Capital Improvements -	(67,400)	0	0	0	0
Total Transfers Out	$(809,064)	$(804,698)	$(798,230)	$(988,878)	$(986,660)
AS % of Total Revenue	15.1%	15.4%	16.0%	22.4%	24.7%
NET INCOME / (LOSS)	$1,191,578	$ 504,717	$ 66,960	$(453,616)	$ (990,130)
Debt Services (Principal and Interest)	(135,309)	(135,020)	(135,020)	(134,050)	(135,117)
NET INCOME / (LOSS) AFTER DEBT	$1,056,269	$ 369,697	$ (68,060)	$(587,666)	$(1,125,247)

Observations – Overall Economic Performance

Below, NGF Consulting makes some observations regarding the overall economic performance of Chuck Corica GC over the last five full years. We will explore these numbers in more depth in the sections that follow. Between FY 01-02 and FY 05-06:

- Activity at Chuck Corica declined by nearly 73,000 rounds, or by 35.2%.
- Total receipts decreased by $1.35 million, or by 25.3%.
- Total operating expenses, including Cost Allocation and other Transfers Out, but excluding debt payments, increased by $466,000, or 10.2%.
- Wages and Benefits alone increased by $502,000, or 27.7%.
- Total operating expenses, *excluding* Cost Allocation, transfers, and debt service, went up by about $288,000, or 7.6%. Excluding charges and transfers to the General Fund and Wages/Benefits, other operating expenses declined over this period.
- Operating Income/Loss, as defined by the City, went from a positive $1.125 million to a negative $632,000. This included surcharges (treated as a reduction in revenue), PILOT, and ROI, but was before Cost Allocation and Debt.
- Excluding Cost Allocation, transfers, and debt service, Operating Income/Loss went from a positive $1.57 million to a negative $70,627.

Rounds and Revenues

Rounds Played Trends

The following table shows rounds played trends in more detail. Between FY 01-02 and FY 05-06, we note the following significant findings:

- Paid rounds decreased by more than 75,000, a decline of 37.6%. (At the same time, 'Comp' rounds increased by 38%). The worst yearly decline was between 03-04 and 04-05, when rounds decreased by more than 27,000.
- During the five-year period, rounds for Earl Fry decreased by 25.8%, for Jack Clark by 33.4%, and for the Mif Albright by an eye-popping 57.6%.
- Though the 04-05 and 05-06 were exceptionally rainy years in the Bay Area, rounds declines cannot be attributed to the weather, as average rounds played *per good weather day* have continued a steady decline over the last five years. In 2001-02, total rounds per "playable day" were 618; this figure fell by 25% to 464 by 05-06. (Paid rounds per playable day fell by about 28%, to 432.5).
- Unofficial rounds played records show that Chuck Corica rebounded somewhat in 2006-07, with nearly 145,000 total rounds. However, rounds played per good weather day continued to decrease to 435 per day.

Chuck Corica GC – Rounds Played Trends					
Rounds Played	**Fiscal Year 2001-2002**	**Fiscal Year 2002-2003**	**Fiscal Year 2003-2004**	**Fiscal Year 2004-2005**	**Fiscal Year 2005-2006**
Earl Fry	90,238	88,070	79,763	67,184	66,969
Jack Clark	72,963	72,169	64,448	57,023	48,576
Mif Albright	43,776	37,874	34,726	27,400	18,569
Total Rounds	206,977	198,113	178,937	151,607	134,114
Comp Rounds	6,571	n/a	4,430	6,881	9,098
Total Paid Rounds	200,406	198,113	174,507	144,726	125,016
Rain Days:	-30-	-30-	-35-	-70-	-76-
Playable Days	-335-	-335-	-330-	-295-	-289-
Rounds/Playable Day EF	-269.37-	-262.90-	-241.71-	-227.74-	-231.73-
Rounds/Playable Day JC	-217.80-	-215.43-	-195.30-	-193.30-	-168.08-
Rounds/Playable Day MA	-130.67-	-113.06-	-105.23-	-92.88-	-64.25-
Rounds/Playable Day Total	-617.84-	-591.38-	-542.23-	-513.92-	-464.06-
Paid Rounds/Playable Day Total	-598.23-	-591.38-	-528.81-	-490.60-	-432.58-

In the tables below, we have grouped rounds played into the major fee categories at Chuck Corica in order to identify how the mix of rounds at the facility has changed since 2001-02. We can see that Regular Non-Resident rounds, which are the most lucrative daily fee rounds, represented 21.2% of total play in 01-02 on the North course, but only 15.5% in 05-06. For the South course, the percentage fell from 23.1% to 17%. The most lucrative rounds of any type – Tournament – have held steady at 3.2% of play on the North course, but have fallen considerably on the South course, from 7.3% to 4.8% (a drop of more than 3,000 rounds).

Monthly Ticket play has also declined as a percentage of total play on both courses, from 25.2% on the North and 24% on the South, to 19.5% and 19.9%, respectively. This drop is not as much of a concern, as ticket rounds are among the lowest revenue producing rounds at any municipal facility. Another notable trend is that Twilight/Late Twilight Non-Resident play decreased from 5.9% of total play on the North to 3.7%, but went from 5.4% to 7.1% on the South.

Rounds Summary by Major Category - Earl Fry						
	2001-02		**2004-05**		**2005-06**	
Regular Resident	16,341	18.1%	13,821	20.6%	13,617	20.3%
Regular Non-Resident	19,087	21.2%	12,627	18.8%	10,380	15.5%
Senior Resident	3,877	4.3%	3,422	5.1%	3,818	5.7%
Senior Non-resident	6,294	7.0%	5,351	8.0%	4,691	7.0%
Junior	3,307	3.7%	2,365	3.5%	2,218	3.3%
9 Hole	2,503	2.8%	423	0.6%	754	1.1%
Twilight/Late Twilight Resident	3,921	4.3%	3,158	4.7%	3,471	5.2%
Twilight/Late Twilight Non Resident	5,301	5.9%	3,087	4.6%	2,495	3.7%
Tournaments	2,901	3.2%	2,309	3.4%	2,130	3.2%
Monthly	22,773	25.2%	13,484	20.1%	13,082	19.5%
Complimentary	3,933	4.4%	3,544	5.3%	5,261	7.9%
Other	0	0.0%	3,593	5.3%	5,052	7.5%
Total	**90,238**	**100.0%**	**67,184**	**100.0%**	**66,969**	**100.0%**

Rounds Summary by Major Category - Jack Clark						
	2001-02		2004-05		2005-06	
Regular Resident	10,863	14.9%	8,406	14.8%	8,223	16.9%
Regular Non-Resident	16,832	23.1%	10,584	18.6%	8,271	17.0%
Senior Resident	2,607	3.6%	2,270	4.0%	2,346	4.8%
Senior Non-resident	5,505	7.5%	3,804	6.7%	2,858	5.9%
Junior	3,175	4.4%	2,597	4.6%	2,214	4.6%
9 Hole	1,611	2.2%	2,040	3.6%	1,827	3.8%
Twilight/Late Twilight Resident	2,955	4.0%	2,325	4.1%	2,113	4.3%
Twilight/Late Twilight Non Resident	3,927	5.4%	3,995	7.0%	3,453	7.1%
Tournaments	5,360	7.3%	3,367	5.9%	2,325	4.8%
Monthly	17,490	24.0%	12,870	22.6%	9,670	19.9%
Complimentary	2,638	3.6%	3,337	5.9%	3,837	7.9%
Other	0	0.0%	1,244	2.2%	1,439	3.0%
Total	**72,963**	**100.0%**	**56,839**	**100.0%**	**48,576**	**100.0%**

Daily Fee Rounds / Green Fee Revenues

Below we can see that total daily green fee revenue for Earl Fry and Jack Clark has fallen by just under $467,000, or 17.6%, over the last five years, with the most notable drop occurring over the last two years. The revenue drop would have been even sharper if not for the 21.1% increase in green fee revenue per paid round on these two courses. The Mif Albright course stands out because of its rapidly declining revenues and very low revenue per round.

	2001-02	2002-03	2003-04	2004-05	2005-06
Daily Fee Rounds (EF & JC)					
Total Paid DF Rounds	156,630	n/a	139,781	117,326	106,447
Comp Rounds	6,571	n/a	4,430	6,881	9,098
Total Daily Fee Rounds	**163,201**	**160,239**	**144,211**	**124,207**	**115,545**
Green Fee Revenue	$2,644,826	$2,696,680	$2,588,656	$2,365,042	$2,178,153
Green Fee Revenue per Round	$16.21	$16.83	$17.95	$19.04	$18.85
Green Fee Rev. per Paid Round	$16.89	n/a	$18.52	$20.16	$20.46
Mif Albright					
Total Rounds	43,776	37,874	34,726	27,400	18,569
Green Fee Revenues	$259,747	$201,565	$226,933	$186,943	$130,908
Revenue per Round	$5.93	$5.32	$6.53	$6.82	$7.05

Monthly Ticket Rounds / Revenues

Monthly ticket rounds have decreased by more than 17,000 over the last five years – a decline of 44.9%. During this time, revenues fell by more than $140,000, or 38.7%. Though resident ticket play fell, the most severe declines came in the senior and non-resident categories. Non-resident ticket play as a percentage of total ticket play has fallen from 28.6% to 12.4% since 2001-02. As a result of this changing mix of ticket rounds, average ticket revenue round was only about 11% higher in 05-06 than it was five years ago, despite rising ticket prices. Overall, ticket play produces only $10.50 of revenue per round.

Monthly Ticket Rounds	2001-02	2002-03	2003-04	2004-05	2005-06
Resident	15,831		16,661	12,020	12,634
Non-Resident	10,991		8,815	5,024	2,633
Senior	11,642	n/a	9,495	7,871	5,916
Total Ticket Rounds	**38,464**		**34,971**	**24,915**	**21,183**
Ticket Revenue	$362,901	$367,322	$336,570	$301,583	$222,329
Ticket Revenue per Round	$9.43	n/a	$9.62	$12.10	$10.50

Other Revenue Centers

Total revenue per round (excluding non-operating revenue) at Chuck Corica GC has increased from $25.82 in 2001-02 to $29.78 in 05-06, an increase of 15%. Several revenue centers at the facility have been remarkably consistent over the last five years:

- Average cart rental revenue per round - $3.57 – was the same in 2005-06 as it was five years previous.
- Average lesson revenue per round was $1.37 in 05-06, and $1.35 in 01-02.
- Driving range revenue per round was $3.22 in 05-06, and $3.21 in 01-02.
- Food & Beverage (net to City, not gross to lessee) was $0.35 per round in 01-02 and $0.36 in 05-06.

Though consistency can be a good attribute, it is not necessarily good in this case when both prices and the cost of producing that revenue are going up. From an absolute standpoint, NGF Consulting considers the pro shop, cart, and lesson revenue centers to be below average in terms of per-round revenues for a municipal golf course of Chuck Corica's quality. Though the cart revenue center is largely reflective of a clientele that prefers to walk, effective and aggressive merchandising can often increase pro shop sales dramatically. Encouragingly, pro shop revenue per round has increased by more than 25% over the last two years.

	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
Total Rev./Round	$ 25.82	$ 26.36	$ 27.84	$ 29.13	$29.78
Cart Rental Rev./Round (EF & JC)	$ 3.57	$ 3.36	$ 3.59	$ 3.71	$3.57
Total Green & Cart Rev./Round (EF & JC)	$ 19.77	$ 20.19	$ 21.54	$ 22.75	$22.42
Pro Shop Rev./Round	$ 1.97	$ 1.97	$ 2.05	$ 2.54	$2.63
Lesson Rev./Round	$ 1.35	$ 1.20	$ 1.26	$ 1.28	$1.37
Driving Range Rev./Round	$ 3.21	$ 3.24	$ 3.03	$ 2.92	$3.22
Food & Beverage Revenue/Round	$0.35	$0.35	$0.42	$0.34	$0.36

Expenses

Operating Expenses

The expense ratios below reflect the deadly combination of rising expense levels in conjunction with rapidly declining rounds played and revenues.

	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
Wages and Benefits/Round	$ 8.76	$ 10.23	$ 11.97	$ 14.69	$ 17.27
Wages and Benefits/Revenue Dollar	$ 0.34	$ 0.39	$ 0.43	$ 0.50	$ 0.58
Wages and Benefits/Total Operating Expenses	53.2%	55.7%	56.3%	60.7%	62.5%
Operating Expense/Round	$ 16.47	$ 18.36	$ 21.25	$ 24.20	$ 27.62
Operating Expense/Revenue Dollar	$ 0.64	$ 0.70	$ 0.76	$ 0.83	$ 0.93
Total Expense/Round	$ 23.55	$ 24.98	$ 28.33	$ 33.53	$ 38.67
Total Expense/Revenue Dollar	$ 0.91	$ 0.95	$ 1.02	$ 1.15	$ 1.30

- As is the case with most regional self-operated municipal golf systems, labor costs represent largest single expense item for Chuck Corica. Wages & Benefits have increased by 97.1% over the last five years, from $8.76 per round to $17.27 per round. At the same time, wages & benefits per revenue dollar have increased by 70.6%.

- Labor costs as a percentage of total operating expenses (excluding depreciation, debt, and transfers) have increased from 53.2% to 62.5%.

- Total operating expense per round has increased by 68% since 2001-02, while total expense per round (including depreciation, debt, and annual transfers) increased by 64% to $38.67 per round. This latter figure is essentially the *cost of producing a round of golf at Chuck Corica.*

In a previous consulting engagement in the Bay Area, NGF Consulting surveyed three high-end privately owned golf clubs in the San Francisco market to gain wage information for golf course maintenance workers. Though only a few position categories match, the table below illustrates the disparity in the wage structures of the City of Alameda workers and those at the subject privately owned clubs. It is also important to note that these workers were unionized, and that the City of Alameda would not require union workers, or a "living wage", should they desire to have a private lessee operate Chuck Corica.

Wages		
Title	**Annual Salary – Chuck Corica**	**Private Sector Annualized Wage**
Maintenance Foreperson	$67,000	$52,000
Maintenance Laborer	$50,266	$29,120
Mechanic	$59,384	$52,000

The issue of very high labor expense structures is common with municipally owned facilities, and makes it very difficult to compete with private sector golf courses.

Annual Transfers

In a previous section of this report, NGF Consulting discussed the issue of various annual transfers between the Golf Enterprise Fund and the City's General Fund. Below, we summarize these transfers (excluding debt service) over the time period of 2001-02 to 2005-06.

Transfers Out	Fiscal Year 2001-2002	Fiscal Year 2002-2003	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Fiscal Year 2005-2006
General Administrative (Payment In Lieu of Taxes)	$202,842	$187,719	$190,925	$186,383	$188,424
Return on Investment (ROI)	DNA	DNA	DNA	214,760	217,122
Surcharge Payment	240,130	230,084	203,688	156,825	134,850
Cost Allocation - General Fund	301,007	318,557	331,861	342,321	351,691
Cost Allocation - Other Funds	65,085	68,338	71,756	71,402	73,545
Equipment Replacement charge	86,372	0	0	0	0
Capital Improvements -	67,400	0	0	0	0
Total Transfers Out	809,064	804,698	798,230	988,878	986,660
Total Transfers (Excl. Debt)/Round	$ 3.91	$ 4.06	$ 4.46	$ 6.52	$ 7.36
AS % of Total Revenue	15.1%	15.4%	16.0%	22.4%	24.7%

DNA: Does not apply

- Transfers from Chuck Corica to the General Fund have totaled $4,387,530 over the last five fiscal years, excluding debt service. The annual amounts for Cost Allocation and PILOT/ROI (combined) have been virtually equal over the last two years, at $420,000+.
- Total transfers have increased as a percentage of total revenue, from just over 15% in 01-02, to nearly 25% in 05-06. At the same time, transfers per round have gone up by 88%, to $7.36.
- The Return on Investment was created in 2004-05, resulting in an increase in transfers of more than $200,000. In 05-06, ROI accounted for $217,122, and PILOT $188,424.

NGF Consulting notes that it is difficult to compare apples to apples as each municipality accounts for items such as basic operating expenses, debt service, and transfers between funds differently. Still, the examples below illustrate that allocated charges for administrative services are not uncommon in municipal golf, but that the methods and amounts vary greatly. Also, it is typical to have capital improvement set-aside provisions honored before money is made available for transfers out. (It should be noted that it is far too complex an issue to note how administrative/ allocated overhead charges are calculated and applied to the golf funds).

Transfers out to General Fund (GF)

The following cities are examples of local municipal golf funds that pay some type of transfer the General Fund each year.

Mountain View – Golf Enterprise Fund transfers approximately $400,000 annually as a reimbursement of administrative services, as well as an additional $100,000 inter-fund transfer to Recreation (not charged the last two years). Mountain View funds the capital improvement reserve and equipment replacement reserve before any transfers.

Santa Clara – Transfer to GF is equivalent to annual operating profit, less a capital improvement set-aside. However, all net revenues are currently going toward paying $1.4 million annual debt service tied to construction of the club.

San Mateo – GF subsidized golf after a loss of about $120,000, including debt service of about $708,000, in 2005-06. The golf enterprise fund pays about $380,000 for an "In Lieu" charge each year, and an additional $200,000± for an "In-Kind" Fee, which represents an allocation of administrative services.

Sunnyvale – Golf is operated within Community Recreation Fund (CRF). Excess revenues for golf are mixed in with total revenues of the CRF, which requires an annual transfer in from General Fund of about $3.2 million, despite a very successful golf operation.

Palo Alto – Golf is a General Fund operation, and all excess revenues are returned to the City's General Fund. The golf course pays for all operating expenses, capital improvements, debt service, and "cost plan" charges. What is left over is returned to the GF. In 2004-05, "Allocated Charges" were $402,000, while the "Cost Plan" equaled $321,000. Debt service was $557,000. Allocated Charges represent actual use of utilities (water, gas, electric) and a replacement reserve for vehicles and equipment, based on a formula using some measurement criteria, such as staffing FTE's or square footage. Cost Plan is the allocation of administrative services and overhead charged to the golf course.

Transfers (Subsidies) in from General Fund
What also stands out from our regional analysis is that many local municipalities no longer have the option to charge their golf enterprise funds, as they have fallen into the red and require a *transfer in* to stay afloat.

San Francisco – Though the City charges "overhead" to private operators such as those at Lincoln Park - $192,000 in 05-06 – and Sharp Park ($182,000), the General Fund subsidized the Golf Enterprise Fund to the tune of nearly $1.6 million that year; most of this amount resulted from the debt service repayment to the City's Open Space Fund, which is tied to the Harding Park renovation.

San Jose – Despite an operating profit, the City subsidizes the Golf Fund by more than $1 million annually, due to the annual debt service tied to the construction of Rancho del Pueblo and Los Lagos.

Hayward Area – The Golf Enterprise Fund used to transfer as much as $400,000 to $500,000 per year to the Recreation District, but in 05-06 the District subsidized golf in the amount of more than $300,000, due to capital improvement expenditures.

Livermore – The Las Positas municipal enterprise is generating approximately $2 million in revenue each year, with expenditures at approximately $2.5 million each year, including debt service of about $200,000. All capital and operating reserves for the Las Positas Golf Course municipal enterprise have been depleted, meaning General Fund support is now required to fund operational requirements. The City is also running at a small deficit at its 9-hole Springtown Golf Course. Though funding the deficit, the GF still charges the golf fund up to $300,000 annually for an "Administrative Surcharge".

Salinas – GF subsidized golf operating losses of about $800,000 last fiscal year.

CAPITAL IMPROVEMENT PROGRAM

It is NGF Consulting's understanding that there are currently no Capital Improvement or Equipment Replacement Reserve line items for Chuck Corica Golf Complex. Items that were considered to have some immediacy, such as the replacement of the driving range turf and fixing drainage problems on the South Course, are reportedly on hold indefinitely.

CLUBHOUSE

The issue of a new clubhouse for Chuck Corica has been debated and studied for more than a decade. The current building, a single-story structure that opened in 1955, measures about 6,300 square feet. The clubhouse includes a 1,300 square foot pro shop and a 4,500 square foot restaurant with indoor seating for 80. The building, while apparently retaining structural integrity, has many limitations from an aesthetic and functionality perspective:

- From a golfer "flow" perspective, the building is programmed very poorly. It is important that there be, to the extent possible, a seamless transition from: entrance → parking lot → bag drop → check-in cart → food & beverage → first tee. This is certainly not the case at Chuck Corica.

- As a result of poor programming, inefficiency abounds and the clubhouse operation is labor intensive. Additionally, there may be safety and/or liability issues due to the poor functional layout, as it is apparently common for golfers to take their carts out into the lot.

- The overall appearance and aesthetic quality of the building is severely lacking. Both the exterior and interior, including pro shop and restrooms, are dated and "tired". In a hyper intensive competitive environment, the building simply does not stand up to the many new and/or renovated clubhouses in the market; the clubhouse also reflects poorly on the City itself.

- The building does not have adequate banquet space; as a result, non-golf related meeting and banquet revenues, as well as golf tournament revenues, are severely constrained.

The most recent feasibility study for a new clubhouse was conducted in early 2003 by Economic Research Associates (ERA) and BAR Architects. The study concluded that a new clubhouse was needed, and presented three alternative concepts for the new building; two included a single-story building, with separate cart storage, while the third included cart storage on the "basement" or ground level. The potential difficulties of this third design, due to the high water table at the Chuck Corica site, were discussed. ERA's recommended programming for the clubhouse is summarized in the table below.

Recommended Clubhouse Program for the Chuck Corica Golf Complex

	Square Feet Low	Square Feet High	Comments
Pro Shop	1,200	1,400	Above average capacity needed for 45-hole operation
Restaurant/Bar	2,000	2,500	100 seats at 20 to 25 square feet per person
Banquet Room	3,750	4,500	250 to 300 capacity at 15 square feet per person
Kitchen	1,500	2,000	Recommend F&B operator input during CH design phase
Offices	1,000	1,500	Five offices desired by management
Restrooms	1,000	1,500	Day-use lockers optional; showers not recommended
Storage	500	500	Storage space is lacking at many clubhouses
Subtotal	**10,950**	**13,900**	
Circulation/Other	2,190	2,780	Estimated at 20 percent
Clubhouse Space	**13,140**	**16,680**	Mid-range: about 15,000 square feet
Cart Storage Space	8,000	10,000	140 carts, possibly separate building
Total Clubhouse and Cart Space	**21,140**	**26,680**	

Source: ERA and BAR Architects 10/2002

At the time of the 2003 study, cost estimates by ERA and BAR ranged from about $6.7 million to $9.8 million, depending on the ultimate concept chosen, and whether the low end or high end of the cost range became reality. The consultants also calculated a warranted level of investment, based not on incremental net revenues associated directly with the new clubhouse, but on overall net revenues for the entire facility, assuming the new clubhouse. The warranted level of investment calculated was about $6.5 million, or just less than the low end of the cost estimates. However, since the time of that study, Chuck Corica has gone into a deficit situation (after transfers to the City), the operating reserve has been dwindling, and essentially all capital improvements have either been put on hold or taken priority over new clubhouse.

As we note, ERA's analysis identified net revenues to the whole facility, assuming the new clubhouse. Identifying incremental revenues that can be attributed directly to the presence of the new building is an inexact science. However, if we conservatively estimate that 5,000 additional tourney/outing rounds would eventually be accommodated, at an average green fee of $50 per round, we can estimate that $250,000 in incremental green fee revenue resulted from the clubhouse. (This analysis takes the conservative posture that the new clubhouse would have no effect on the number of daily fee rounds sold at the course).

Additionally, there will be other revenue associated with these rounds, such as merchandise and food and beverage. Assuming an average of $10 merchandise and food and beverage per tournament round, the club realizes another $50,000 in extra revenue. Due to the high fixed cost structure of golf, we can assume that 90% of this new revenue is net of variable costs, resulting in $270,000 in incremental net revenue due to the new clubhouse. Finally, we will assume that Chuck Corica will receive 10% of $2.5 million in Food & Beverage revenue (more conservative than consultant Keyser Marston's estimates; which we will discuss later in this section), rather than 8% of the current $1 million gross. This results in an incremental $170,000 in net F&B revenues due to the new clubhouse. Adding it all up, we have conservatively estimated that the impact of a new clubhouse, as proposed, would be $440,000. (This also assumes no extra expense for maintenance of the new building).

In the table below, NGF Consulting illustrates the annual debt service payment that would be required for various capital investment levels, assuming various interest rates and a 20-year note. As we can see, a $2 million investment (which the proposed stand-alone banquet center may approach), would require a payment ranging between $160,000 and $181,000 under these financing assumptions. We can also see that the $440,000 estimate for the new clubhouse facility's impact on net revenues would fund a capital investment of approximately $5 million, depending on the financing terms. NGF Consulting believes that a stand-alone banquet center will generate similar incremental revenues, as long as the facility management is aggressive in seeking large outings, and the food & beverage operators is aggressive in seeking events.

Capital Investment	**Annual Debt Service Payment @ Interest Rate**			
	5.0%	**5.5%**	**6.0%**	**6.5%**
$2,000,000	$160,490	$167,360	$174,370	$181,510
$5,000,000	$401,210	$418,400	$435,920	$453,780
$7,500,000	$601,820	$627,590	$653,880	$680,670
$10,000,000	$802,430	$836,790	$871,850	$907,560

In summary, NGF Consulting concurs with the programming elements presented by the previous clubhouse consultant. However, as any Californian knows, construction costs have been soaring in recent years, and we can only surmise that the original cost estimates would likely be significantly higher at this point, and that the new clubhouse would not pay for itself in terms of net incremental revenues. There are also likely to be additional costs associated with parking lot lighting and infrastructure improvements that will be required if the facility is to be a serious banquet business provider.

Assets deteriorate, and the building will ultimately have to be replaced eventually even if it doesn't pay for itself, if the City of Alameda wants to remain in the golf business. As we will note later in this study, and assuming no structural defects or safety issues, the clubhouse falls under the category of "want" rather than "need" at this point, and NGF Consulting believes that golf course improvements take higher priority (and customers concur, according to GSP).

FACILITY CONCESSIONS

Chuck Corica Golf Complex is self-operated, but has two concessions – one for the food & beverage operation and one for a lesson program. The terms for each agreement are summarized below.

Food & Beverage

The agreement is between Tom Geanekos ('Concessionaire") and the City of Alameda ('City'), and runs for a term of January 1, 2006 through December 31, 2011. The concessionaire has an option to extend an additional five years if conditions met. The agreement is for exclusive food and beverage service at Chuck Corica Golf Complex (indoor and outdoor areas, including the Snack Shack). It is understood that the City may in the future erect a temporary structure for additional banquet space at the City's expense. Concessionaire would provide any furnishings.

The Payment to the City is:

- 8% of all gross revenues
- 10% of all gross revenues after opening of new clubhouse facility

Other terms:

- Concessionaire pays all taxes, assessments, and license fees.
- City pays gas, water, electricity, sewer and garbage.
- Concessionaire will equip the premises at its sole expense to establish a sports bar theme; provide signage, and maintain a liquor license.
- City approval required for any structural alterations, improvements or additions. Any improvements are property of the City.
- Concessionaire is responsible at its cost for maintenance and repair of interior and any improvements made by it.
- If the City decides to replace or re-build the clubhouse, concessionaire will vacate the premises and temporary arrangements will be made for fees and possible temporary facilities. The agreement would not be terminated during this time.

'Jim's at the Course Bar and Grill' opened in 2006 and has enjoyed more success than the previous operator. The operator, who is well known locally and owns another popular restaurant in Alameda, reports turning down events due to the constrained kitchen size and seating capacity. Despite these limitations, reported gross in the first twelve months was about $1 million, though the first four months of revenue were not subject to rent to the City. The owner projects about $1.3 million in revenue for his second year, assuming no new banquet facilities.

The operator is also responsible for the 'Snack Shack' halfway house, located on the North Course. This facility, which serves beverages, hot dogs, and cold sandwiches, apparently has a reputation for poor service, and is situated such that it can interfere with pace of play. It is currently being upgraded to comply with the health code. There is only one beverage cart, which does not run on weekdays and is available predominately on the South Course.

As noted in our previous discussion of the clubhouse, the idea of providing a new clubhouse with substantial banquet facilities has been discussed for many years. Because of funding constraints, the City is now getting bids to construct a modular banquet facility between the current restaurant and the driving range. The proposed facility would be approximately 5,000 to 6,000 square feet, including a "warming" or catering kitchen. The expected capacity would be about 300, and the cost would be between $1.75 and $2 million.

An important component of additional revenues that will be attributable to the new clubhouse will be food & beverage and banquet. The City recently engaged Keyser Marston Associates to do a study to estimate the revenue potential of new banquet and kitchen facilities at Chuck Corica. The consultant's projections were based on the assumption that the existing facility would either be rebuilt as part of the rebuild of the clubhouse, or substantially upgraded in respect to décor and kitchen facilities.

Some of the consultant's major conclusions are listed below:

- We perceive good to excellent market potential for new or renovated restaurant facilities and for banquet facilities at the Corica Golf Complex, for reasons identified below.

- For the restaurant, we conclude that there is market support for sales of $2.2 million (2007 dollars) and for a facility of 4,500 square feet (inclusive of kitchen that serves both the restaurant and banquet facility).

- Market support would be derived from residents of Bay Farm Island, employees at the Harbor Bay Business Park, and golfers.

- A key aspect of these findings is that the inventory of eating/drinking facilities on the Island is highly constrained and that achievement of only a modest share of the potential generated by residents and by employees at the business park will generate the indicated sales. The increase in sales noted above would be achieved by appealing primarily to the employment base for additional lunch trade and to the residential base for dinner trade (the restaurant is not now open for dinner). These segments are dominant; sales to golfers will account for only about 30% of total volume.

- We conclude that there is potential to generate about $750,000 in banquet sales annually in a setting that could accommodate up to 300 guests.

- These projections assume a new clubhouse and a new kitchen, although the operator has indicated that the existing kitchen is sufficient for buffet service. In our view, to serve the larger functions effectively (particularly weddings), expanded kitchen facilities, which will allow full sit-down service, are indicated as part of the rebuild or refurbishment of the restaurant.

- We assume that banquet facilities would have excellent views of the Earl Fry course.

- We do not perceive a major difference in revenue generation from a permanent banquet facility versus a well-conceived tent structure of comparable capacity (300 guests) that afforded patrons views of the course.

Lessons

Agreement is between Winslow Woodard ('Contractor') and City of Alameda ('City'). The contract began on January 1, 1999, with one-year renewable terms.

The Responsibilities of the operators are:

- Schedule and provide individual and group golf lessons.
- Promote and advertise golf course, attend related functions, and work with outside groups.
- Cooperate as needed to efficiently operate the golf shop, golf cart operations, and driving range.

City pays contractor 80% of golf lesson revenue. City collects fees and pays the contractor in bimonthly payments. The teaching pros are currently entitled to unlimited free buckets of balls while teaching.

CUSTOMER SATISFACTION

NGF implemented the Golfer Survey Program (GSP) at Chuck Corica to gauge opinions from the facility's golfers. A total of **340 completed surveys** were collected by NGF, with the vast majority filled out via our on-line survey link. The table below shows how customers rated Chuck Corica on key business drivers that affect play at public golf courses. The ratings are based on a five-point scale, ranging from "Very Dissatisfied", represented by a rating of 1, to "Very Satisfied", represented by a 5. The average response for each factor is then compared to a national benchmark score, which is calculated from actual results from more than 300 golf courses at the same price point range as Chuck Corica, totaling more than 125,000 total completed surveys. More detailed findings are contained in the associated **GSP Appendix E.**

Chuck Corica Golf Complex Customer Satisfaction 340 Responses 5/24/2007 – 7/18/2007		
Factor	**Average Score** (Scale 1-5)	**Standard Benchmark Grade**
Convenience of Course Location	4.3	B+
Overall Value of Course	3.9	B
Affordability	3.9	B
Tee Time Availability	3.9	C+
Friendliness/Service of Staff	3.8	D
Overall Experience	3.8	C
Scenery and Aesthetics of Course	3.6	D+
Overall Quality of Practice Facility	3.6	B-
Overall Course Conditions	3.5	C
Condition of Golf Cars	3.5	D
Condition of Fairways	3.4	D-
Food and Beverage Service	3.4	D+
Condition of Greens	3.4	C-
Condition of Tees	3.4	F
On-course Services (restrooms, drinking water)	3.2	D+
Amenities (clubhouse, pro shop, locker room)	3.1	D
Condition of Bunkers	3.1	D+
Pace of Play	2.9	F

Average Score: 1 = very dissatisfied; 2 = somewhat dissatisfied; 3 = neither satisfied nor dissatisfied; 4 = somewhat satisfied; 5 = very satisfied

Standard Benchmark Grade: The benchmark grades are assigned using a normal bell curve.

Key Findings

1. The only business drivers where Chuck Corica rated "B" or above among the survey respondents were "Affordability", "Convenience of Course Location", and "Overall Value".

2. The key business drivers on which Chuck Corica fared the poorest – equivalent to a grade of "D" or worse - were "Amenities", Condition of Golf Cars", "Condition of Tees", "Condition of Fairways", and "Pace of Play"; "On-Course Services" graded out to a "D+". The facility graded out to a "C" for "Overall Course Conditions", but opinions varied widely on this measure.

3. Another very important business driver where Chuck Corica did not fare well compared to national benchmark grades was "Friendliness/Service of Staff". *This was also a key element that came up repeatedly in our interviews with various stakeholders of Chuck Corica – that some employees were inattentive at best, and unfriendly or rude at worst.* In these interviews, there were also intimations that there may be some degree of infighting among employees at Chuck Corica, and that there may be a contentious relationship between maintenance personnel and those in the pro shop/ management.

4. Golfers were asked to choose the three factors from the table above that are most important to them when choosing a place to play. For Chuck Corica, the top three were Affordability, mentioned by 40% of respondents, Overall Course Conditions (35%), and Pace of Play (33%).

5. Pace of play is a recurring theme throughout the survey results. The club graded out to an "F" on this measure, which, as noted above, is a very important factor to golfers. Pace of play also was mentioned by more respondents than any other factor when it came to suggested improvements at the facility. Finally, slow play and ineffective marshaling were the themes that recurred most often in the "open-ended" or "verbatim" comments made by golfers (see ***Appendix E***). NGF Consulting believes that this is a critical issue in terms of Chuck Corica increasing frequency of play from its customers, as well as increasing market share.

6. Overall, the survey results indicated that the facility has significantly more "Detractors" compared to the national benchmark, and relatively fewer "Promoters".

7. The survey results confirmed that Chuck Corica's primary competitors are those public golf courses most proximate to the site, and at a similar price point. In descending order, golfers listed Metropolitan, Monarch Bay, Tilden Park, Lake Chabot, and Skywest as the courses they also play at when not playing Chuck Corica. As a group, the respondents reportedly play 48% of their total golf rounds at Chuck Corica, a figure that is consistent with low facility loyalty.

8. The profile of the survey respondent is predominantly male (84%) and somewhat older (50% over 50), with fewer than 6% younger than 30. Interestingly, of those respondents that reported their income, more than 75% made more than $75,000, an unusually high number for a municipal golf course survey (though the high cost of living in the Bay Area must be considered). The map displaying the origin of customers is displayed in ***Appendix F*** to this report. Interestingly, there was more of a response from non-resident golfers than from residents, which is highly unusual for a municipal golf course.

9. In one of the custom questions, golfers were asked about the level of green fee increase they would be willing to absorb before they would begin playing less frequently at Chuck Corica. (It was explained in the question that any increases would partially fund needed capital improvements at the facility). Surprisingly, less then 22% of 342 respondents said they were "not willing to pay more". Nearly a third of golfers said they were willing to pay $1 to $2 more per round, while another third was willing to pay $3 to $4 more per round. About 6% of customers said that they "will pay whatever the fees are".

10. The second custom question allowed for open-ended responses listing the top two or three recommendations the golfer had for facility improvements at Chuck Corica. There were many recurring themes, but those that appeared most frequently included: restrooms; course conditions; pace-of-play / improved marshaling; the need for starters at the first tees; and, customer service / friendliness of staff. The need for a new clubhouse did not seem to be nearly as high a priority among these respondents.

11. Survey respondents were also asked to voice their opinions via open-ended comments at the end of the survey. Positive comments about Chuck Corica most often centered on convenience of location, affordability, and playability/ walkability of the courses. The most common negative comments included the need for better drainage and overall maintenance, better customer service, clean-up of goose droppings, and improved restrooms and on-course services. However, the issue that seemed to stand out above

all others was the need for effective marshaling and vastly improved pace-of-play, especially on weekends. A sample quote regarding the pace-of-play issue was: "*I believe the root of the slow play problem is that the marshals won't be backed up by management if they press the 'old timers' and the 'local boys' to move along.*"

EMPLOYEE TRAINING

NGF Consulting was told that no employee training manual exists. Additionally, because of high turnover, there is relatively constant training. Absent a formal program, this training essentially amounts to "trial by fire", especially during the peak season and during prime times. We were also told that there was no real effort to reward and keep good people, except to give them more work and responsibility at the same pay (with poor workers apparently given less work). Finally, it was indicated that some previously terminated employees had been hired back at Chuck Corica.

MARKETING

As is well documented in this report, the overall Bay Area golf market has become much more competitive over the last decade, and Chuck Corica has lost a considerable amount of rounds during this time. NGF Consulting has observed that, despite these declines, the City of Alameda apparently has not been active in attempting to attract additional players to the facility. As is the case with employee training manual, there is no formal marketing plan for Chuck Corica. The Golf Services Manager is reportedly responsible for marketing of the facility. From the City perspective, marketing support takes the form of a link to the golf course site - golfinalameda.com - on the City's web site, as well as inclusion in the Recreation Department's Activity Guides.

Chuck Corica does have a new web site, which we found to be well designed and functional. Through the website and a relationship with CourseTrends, the City is able to capture e-mail addresses as it advertises "eSpecials"., and to send out e-mail blasts to its database promoting specials. It was not made clear to NGF Consulting the return the golf facility is receiving on this marketing tool. In addition to web-based marketing, Chuck Corica is advertised through *Golf Today*, and works with internet-based golf wholesale companies such as Golf707.com and GolfNow.com.

At present there is no comprehensive marketing plan incorporating research, planning, strategy, market identification, budget, advertising, timetable, and follow-up. There does not appear to be a commitment to marketing. While this is typical in municipal golf, it is also deadly for a business that is competing head-to-head with privately owned businesses in a highly competitive field. Low marketing budgets are common at municipally run golf operations. Successful golf courses in the private sector typically allocate about 3%-5% of their revenue to marketing.

ACCOUNTING / RECORD-KEEPING / POINT OF SALE SYSTEM

Accounting and reporting procedures for Chuck Corica are done on-site by the Executive Assistant, while official audited operating results are produced by the City's Chief Financial Officer. NGF Consulting was provided with two different sets of mismatched operating results and budgets from these two sources, though the differences were generally not significant. Still, having any differences is not optimal, as it can be difficult to ascertain what actual revenue and expense figures were for a given time period. The facility recently changed its point-of-sale (POS) system and, though there reportedly have been some early difficulties, this may alleviate the issue. NGF Consulting was told that the old system was "very limited"; for instance, the Golf

Services Manager reported that the system had no customer origin tracking modules, and not tournament modules that allowed contracts to be set up.

TEE TIME RESERVATION SYSTEM

Golfers have two ways of making advance tee times at Chuck Corica – via the Internet or by phone. Preferential tee time card holders can schedule only by phone, and can make tee times 30 days in advance, as opposed to 21 days in advance for non-card holders. The previous policy was 8 and 7 days, respectively. The preferential tee time card is available to residents only for $25. Neither NGF Consulting interviews with golfers, nor our Golfer Survey Program, revealed any notable dissatisfaction with the tee time reservation system or tee time availability.

MARSHAL PROGRAM

Marshals have several primary responsibilities: acting as starters, pace of play management, controlling course access, and customer service. At some facilities, they also help with course maintenance. When a marshal acts as a starter, there are several roles that he or she fills that are beneficial to the golf operation. These include:

- **Pace of Play:** A starter is a key tool in helping keep the pace of play under control. This is done in three primary ways:

- **Pairing groups:** It is the starter's responsibility to pair up singles and doubles, thereby both reducing the number of groups on the course (thereby freeing up space) and reducing the pressure placed on foursomes by smaller groups wanting to play through.

- **Guidance:** The starter can provide important guidance to the golfer who is new to the facility. First, they can direct them to the appropriate tee given their handicap – an important factor in maintaining a good pace-of-play. Second, they can explain how the course yardage is marked and how the pin-placement is indicated. Again, this is very helpful to speeding up play.

- **Encouragement:** The Starter is also responsible for explaining the club's pace-of-play policy and asking for their cooperation.

- **Customer Service:** The starter plays an important role in customer service. If they are friendly and greet customers with a smile, the golfer will likely start his round in a pleasant mood. However, if they are surly, the golfer is likely to begin his round on a sour note, which can impact his entire golf experience. While customer service is generally not the most important criteria in choosing a golf course, in a competitive golf market, it can certainly make a big difference in where people play.

With regards to pace of play management, it is the marshals responsibility to 1) spot problems – such as a sizeable gap between groups that usually indicates a slow group, and 2) try to fix the problem by "encouraging" the slow group to catch up to the group ahead. Persistent problem groups may be asked to allow faster groups to play through, or in more extreme cases be asked to pick up their balls on a given hole in order to catch up with a group ahead.

Marshals may also play an important role in controlling access to the course, especially at facilities such as Chuck Corica where it is so easy to get on without starting at the first tee. Marshals should know how many golfers and in what groupings are on the course so they can spot inconsistencies. They should have the ability to ask for receipts when they are suspicious of a group.

Finally, in good marshal programs, the marshals are also trained to assist in maintaining the property. First and most important, they are charged with "policing" the grounds to pick up trash and other debris. But marshals can also be trained and given the proper tools to fix ball marks on the greens and to put sand in divots. These simple tasks can go a long ways to improving the overall course conditions as well as the appearance of the course.

Chuck Corica utilizes volunteer marshals for a variety of purposes, including as starters, cart marshals, and course rangers to control play on the course. The hours they are on duty can vary with the time of day, the day of the week, and the season. There are currently about 30 to 35 marshals at Chuck Corica, and they commonly work one day per week each. In return, they are entitled to play for free and make advance tee times. Marshals also receive discounts on food & beverage, as well as merchandise.

In the past, marshals could play for free anytime, and pay no cart fee. The policy has recently been changed, and marshals can only play on weekends once per week, and only if golfing with three paying people. Also, marshals now pay $7 for a power cart ($15 is regular). According to staff, some marshals quit the program due to the new policies, and the entire marshal program is highly politicized. In 2005-06, marshals accounted for just under 2,400 'comp' rounds, or about 26% of the total for the facility.

At Chuck Corica, there are generally one rover and one starter marshal on both the North and the South courses on weekends, plus a cart marshal. The cart marshal is responsible for checking receipts. On weekdays, there are no starter marshals, but a rover on each course. Cart marshals are sometimes on duty on weekdays. The effectiveness of the marshal program at Chuck Corica is questionable, as we have been told that they simply are not perceived to have any real authority and do not want to confront players (many of whom they apparently know well). As we will see when we discuss pace of play issues, the marshals do have some impediments to going about their jobs effectively.

It is apparently a worry of some golf courses that the IRS forbids volunteer marshal staffs, if they are given free rounds in exchange for working (barter). It is NGF Consulting's understanding that this is something that is not enforced. Volunteer staffs tend to be large (15 to 20 per 18 holes), generally working 1 or 2 shifts per week. Overall, there are typically two to three marshal shifts per day for an 18-hole course. There may be a starter marshal at the first tee, sometimes only early in the morning for the first several groups, especially if the pro shop has good control over, and sightlines to, the 1st tee.

There are many ways in which golf courses utilize and compensate marshals. Below, we give several examples in the local market.

San Mateo – Poplar Creek
Poplar Creek had a large volunteer staff before its renovation. The management reported to us that the staff was of poor quality, difficult to train, and had little ability to pick up the pace of play. When the course reopened in 2000, the City went to a paid part-time staff (currently 10 employees). In winter, there are about two 6-hour shifts per day, and in summer two 7-8 hour shifts per day. There is typically one rover; sometimes a marshal may also be at 1st tee to make sure the first 4 or 5 groups get off all right. Otherwise, the starting function is run entirely from the pro shop, which has good sight lines. Also, marshals have no cart responsibilities. Each staff person works about three shifts, and none work more than 25 hours per week. San Mateo's total budget for the marshal staff is $85,000, at $11.50 per hour.

The City reports fewer than 1,600 comp rounds annually at Poplar Creek. Pro shop employees are entitled to play for free; others, including marshals, can play for half-price cart. These groups can make tee times in advance of the general public, but there is a strong directive to avoid abusing system, especially during prime time. Also, comp players are typically golfing with three paying customers.

Hayward Area Recreation District
Hayward has a volunteer marshal staff of approximately 30 people, mostly seniors. They are also asked to pick up trash and to cross train to do other tasks (washing carts, etc.). Each marshal works one to two shifts per week, and two or three are employed at any one time – one each at the 1st tee and 10th tee checking receipts, and one rover.

Marshals are allowed to play for free, including cart. They must ask permission of management, and are limited on weekends to play after peak periods. Full-time employees are also entitled to play free as part of their benefit package. The General Manager reports that the system is monitored very closely and that the privilege is not abused; he has the power to change the policy, at least for volunteers, at any time. Still, Skywest has about 4,000 to 5,000 comp rounds per year.

Metropolitan
The daily fee Metropolitan Golf Links has a volunteer marshal staff of about 38 people. They work one shift per week. There is one starter marshal until about 4:00 pm everyday. On weekdays, there are also two rovers on the course; on weekends, there are three rovers on the course. Marshals play for free on a space-available basis, and pay $6 for a power cart on weekdays, and $10 on weekends; their guests pay $30 plus cart. Marshals can make a tee time the day of play, or after 5:00 pm the day before. Employees also play free on a space-available basis, while their guests pay $15 plus cart. Metropolitan reported about 3,000 comp rounds last year, about 50% of which were promotional in purpose. In general, the management company at Metropolitan has a policy of pushing comp rounds to "non-revenue slots" only.

Mountain View – Shoreline
Mountain View has about 60 marshals, as well as other volunteers for the driving range (which is a distance from the pro shop) and other on-course (trash pick-up, filling ball washers, etc.) services. Some marshals work one shift per week, others none. They are given a "chit" for each shift, which they have two weeks to activate, and then one week to use for free golf. These volunteer can then play Monday through Thursday whenever they want, and on weekends the back 9 only, or one hour before twilight. Marshals, who can make advance tee times, pay $5 for a cart and are entitled to a free bucket of range balls.

Mountain View has one of the more liberal policies regarding complementary play by marshals and employees. As a result, the City reported more than 8,000 Comp/Promo Rounds in 06-07, in addition to 67,635 paid rounds. About 6,200 of the comp rounds were accrued by volunteers.

San Leandro – Monarch Bay
American Golf utilizes a volunteer staff. They have one starter marshal until 2:00 pm on weekdays, and 3:00 pm on weekends; there is also one rover marshal until 6:00 or 7:00 pm everyday. Marshals play for free on a standby basis, and cannot make tee times. They can play anytime Monday thru Friday, and weekends after twilight only. If riding, marshals pay $5 for a cart. AGC reports that less than 1% of total play is in the form of comp rounds.

Oakland – Lake Chabot
Lake Chabot has a volunteer marshal staff of about 20, with each working one 6-hour shift per week, and two working at any one time. They can golf weekdays anytime, and weekends after twilight for free, including cart. However, the public "comes first" (standby basis only).

Livermore – Las Positas
Livermore has a unique system in place at Las Positas. The concessionaire apparently buys monthly passes for the 8 to 9 marshals, (it is unclear whether they receive additional compensation). Paid employees can play once a month (does not apply to restaurant workers). Pro shop employees that are PGA members can play more often, but at limited times. Las Positas had less than 1,000 comp rounds last year, and most of these were for local high schools.

COMPLEMENTARY ROUNDS / LOST REVENUES

In the previous discussion, as well as when we discussed the recent operational performance of Chuck Corica, we noted the high number of 'Comp' rounds at the facility. It is NGF Consulting's understanding that all employees, volunteers, commissioners, City Council, and those with PGA/ LPGA/ VIP status have unlimited free access to Chuck Corica Monday through Friday. The table below shows the number of Comp rounds across different categories for the last several years (2002-03 was unavailable).

Complementary Rounds				
Earl Fry	**2005-06**	**2004-05**	**2003-04**	**2002-03**
Comp-Marshal	1,572	1,136	1,425	1,710
Comp-Comm/Council	247	223	NA	NA
Comp-Employee	705	802	918	NA
Comp-Restaurant *	9	23	45	220
Comp-PGA/LPGA/VIP	742	1,360	326	1,425
Comp-Golf 707	550	NA	NA	NA
Comp-Giants Promo	35	NA	NA	NA
Comp-Jr W/Pd Adult	532	NA	NA	NA
Comp-2 For 1	78	NA	NA	NA
Comp-Donation	282	NA	NA	NA
Comp-Over 80	509	NA	NA	NA
Range Comp	NA	NA	NA	578
Total Comp Earl Fry	**5,261**	**3,544**	**2,714**	**3,933**
Jack Clark	**Jun-06**	**Jun-05**	**Jun-04**	**Jun-02**
Comp-Marshal	820	838	796	1,057
Comp-Comm/Council	131	174	NA	NA
Comp-Employee	386	680	654	NA
Comp-Restaurant *	4	31	18	117
Comp-PGA/LPGA/VIP	507	1,614	248	1,043
Comp-Golf 707	699	NA	NA	NA
Comp-Giants Promo	31	NA	NA	NA
Comp-Jr W/Pd Adult	454	NA	NA	NA
Comp-2 For 1	49	NA	NA	NA
Comp-Donation	214	NA	NA	NA
Comp-Over 80	542	NA	NA	NA
Range Comp	NA	NA	NA	421
Total Comp Jack Clark	**3,837**	**3,337**	**1,716**	**2,638**
Total Comp Both	**9,098**	**6,881**	**4,430**	**6,571**
Rounds	**Jun-06**	**Jun-05**	**Jun-04**	**Jun-02**
Earl Fry	66,969	67,184	79,763	90,238
Jack Clark	48,576	57,023	64,448	72,963
Total Rounds	**115,545**	**124,207**	**144,211**	**163,201**
Total Comp %	**Jun-06**	**Jun-05**	**Jun-04**	**Jun-02**
Earl Fry	7.86%	5.28%	3.40%	4.36%
Jack Clark	7.90%	5.85%	2.66%	3.62%
Total Comp %	**7.87%**	**5.54%**	**3.07%**	**4.03%**

* In 2001-02, this was called Maint & Rest Comp

Reviewing the previous table, NGF Consulting has made the following observations:

- With more than 9,000 Complementary rounds in 05-06, Chuck Corica has the highest number of these rounds among the regional golf courses we profiled in this study.

- Comp rounds went up by 38% between 2002 and 2006, at the same time total rounds decreased by 29% (which means paid rounds were down by an even bigger percentage). Comp rounds accounted for just over 4% of total play in 2001-02, and nearly 8% in 2005-06.

- Of the 9,000+ free rounds last year, only about 2,400, or 27%, could be attributed to promotional purposes (Golf 707, 2 for 1, etc.). Marshals accounted for about 26% of comp rounds.

- In 2005-06, the City decided to make play free, including cart, for all golfers over 80 years old. This equated to 542 free rounds of golf that year (policy since discontinued).

There is simply no way to tell how much revenue is lost due to complementary rounds at a golf course. Theoretically, every comp round could have been sold, or none could have been sold, with the truth lying somewhere in the middle. One way to look at it is in terms of opportunity cost – the revenue that the round would have generated had it been sold. For instance, multiplying the average green fee per paid round in 2005-06 by the number of comp rounds results in a figure of $186,000. This number would be theoretically even higher if golfers playing for free are not taking up all four slots of a tee time. Also, this exercise does not account for lost revenue due to the reduced cart fee.

While it is impossible to gauge just how much revenue is lost, the effect of this high level of comp rounds on revenue is undoubtedly significant, especially when it affects play during peak periods. The rounds offered for comp play are also prime candidates to be offered as inventory when practicing yield management, such as offering discounted rounds via on-line reservation systems.

PACE OF PLAY

NGF Consulting interviews at Chuck Corica GC indicated that slow pace of play was a major issue at the facility, particularly during peak times. This finding was emphatically reaffirmed by the results of our golfer survey. Consistent slow play can be a death knell for a facility, especially in a very competitive market environment. While the majority of loyal customers of a municipal course will learn to "grin and bear it" (or are actually contributors to the problem), occasional customers and serious low handicap golfers will often look for a better alternative. This is especially true among customers for which affordability is night the primary reason to play a facility. Additionally, in the golf business slow play is right up there with "terrible greens" as one of the word-of-mouth topics that spreads rapidly in a golf market.

As discussed in a previous section, the marshal program at Chuck Corica, at least as it applies to enforcing pace of play standards, seems to be ineffective. However, course marshals, especially at a municipal course with a very constant clientele, realistically have limited ability to affect pace of play. A large problem at Chuck Corica seems to be that management does not consider slow play to be a serious issue, or at least a top priority. This attitude apparently manifests itself in a marshal staff that is untrained or unmotivated to move players along effectively. It is also evident in the lack of starter marshals on weekdays, which is more relevant on the South course due to limited sight lines from the pro shop, and in the lack of signage instructing people that they are expected to maintain a certain pace (NGF Consulting observed a sign at #1 where the writing was so small as to be illegible unless a golfer were right on top of it).

Maintaining a reasonable pace of play at Chuck Corica can be difficult, due to several reasons. These include: a large contingent of senior golfers; a policy that allows fivesomes; a very difficult first 5 or 6 holes on the North course; abundant water on the North course; relatively tight alternating 7/8 minute intervals; and, players (especially those new to the facility) getting confused between the North and South courses due to a sometimes confusing layout and the lack of directional signage. An example of the latter is the difficulty in finding the #10 tee from the #9 green on the South course – a distance of about 100 yards. All of these factors can result in the course backing up and play slowing down.

CLUBS

The Chuck Corica Golf Complex has very active and involved clubs, which contribute a significant amount of play to the facility.

Alameda Golf Club

The Alameda Golf Club (Men's Club) originally formed all the way back in 1928. The club is currently capped at its current level of 400 active members, 95% of whom are residents of Alameda. The Men's Club currently plays about 15 tournaments per year, including one weekend outing per month. These tournaments are booked at the beginning of each year, and typically have anywhere from 90 to 160 players, who play the applicable green fee. The club also reportedly purchases $1,000 to $2,000 in gift certificates for each tourney.

Alameda Women's Golf Club

The Alameda Women's Golf Club was founded in 1929. It actually consists of two clubs at this time – the 9-Hole Club and the 18-Hole Club. The ladies play tournaments every Thursday between 8:30 and 10:30 during summer, with typical participation at 50 to 60 players. In additions, the women organize a 144-player Invitational Tournament each year. Last year, the Women's Club donated $3,300 to Chuck Corica for facility beautification.

Alameda Junior Golf Club

Chuck Corica has a highly successful Junior Golf Program, which includes free clinics and lessons by the assistant golf pros on staff. Resident juniors play for $1 at Chuck Corica, while non-residents pay $8 on the Jack Clark and $10 on the Earl Fry. Juniors can play the South course anytime on weekdays and after twilight on weekends, and can play the North course after noon on weekdays, and after twilight on weekends.

The program is run by the Junior Golf Club, which was founded in 1991, and is funded by donations. The program, which has 200+ kids that come from all over the Bay Area, includes Wednesday tournaments throughout the summer, paid for by the Junior Golf Club. Chuck Corica also hosts the renowned East Bay Junior Tournament, which is known throughout California. It is hosted over two days (during prime time Monday and Tuesday), on both courses, and generally has about 250 to 300 participants. The tournament is more than 50 years old, and its most famous participant is Johnny Miller. There is $30 fee per child, with the course receiving $5 per person (was $1 until this year, and will be $10 next).

Another major event for the Junior Club is the Jack Clark Pro-Am fundraiser for the scholarship program. In 2005-06, twelve $1,000 scholarships were funded, in addition to several $500 scholarships for 2-year schools. The club also contributes $500 annually to three Alameda high schools. Overall, the club raises about $20,000 per year, approximately 50% of which comes from the Jack Clark.

Chuck Corica Senior's Golf Club

The Seniors Club was formed in 2004 and immediately proved a success. It peaked at about 200 members at the end of 2006, and currently has about 180 members. More than half of the members are non-residents. The Senior's Club has two blocks of tee times set aside for them, on Tuesdays and Thursdays. When playing as a group during these times, non-residents play at the resident senior rate. Until recently, those seniors that were 80 years of age or older (about one-third of the club) could play for free, paying for a cart only if they preferred to ride.

Management/Maintenance Options

At the end of this report, NGF Consulting will prepare cash flow pro formas for the continued operation of Chuck Corica Golf Complex. We will present five-year outlooks under three scenarios: (1) continued City management and maintenance (status quo); (2) continued City management and maintenance, *but assuming NGF Consulting operational recommendations are enacted*; and (3) under most viable alternative operating structure.

The operational recommendations that will be presumed for Scenario 2 will be discussed later in this report. In this chapter, we will discuss the most viable potential alternative management structures for Chuck Corica, and then make a recommendation for the most economically viable alternative management scenario, based on our operations review of the facility. The five-year cash flow pro forma will then be presented for this new operating structure, and compared to the results for Scenarios 1 and 2 above.

MANAGEMENT OPTIONS

Before presenting the most viable alternative management arrangement for the Chuck Corica Golf Complex, we provide descriptions of the most typical management options for municipal golf operations, as well as advantages and disadvantages of each. Management contracts, operating leases, and concession agreements are the three most commonly used terms to describe a contract between a municipality and a private golf course operator. Each has significant differences, but also several common characteristics.

Analyzing the management options for the City of Alameda gives the City the opportunity to carefully consider which method of management is in its best interest, should it decide it is no longer economically viable for the City to continue self-operation. Arriving at the right method of management can be a complicated procedure because no two facilities have the same needs. These primary options available to the City are:

- **Continue As-Is (Self-Operation):** Under this scenario, the City continues to operate and maintain Chuck Corica in the same manner as it does now.

- **Full-Service Management Contract:** Hire a management company to operate all aspects of the golf facility.

- **Concession Agreement:** Similar to a lease agreement, but usually involves granting a license to operate a facility rather than the right to occupy the premises.

- **Contracting the Maintenance Only:** Municipality privatizes only the costly maintenance option, but continues to manage the facility.

- **Operating Lease:** Lease the facilities to a private operator in exchange for an annual (or monthly/quarterly) lease payment to the municipality. The lease could be established to include certain lessee requirements, possibly including capital investment in facility improvements. Maintenance standards and compliance policies would be included, and some restrictions regarding setting of resident green fees would be likely.

A general discussion of each option, along with key advantages and disadvantages is presented in the following paragraphs:

Self-Operation by Municipality

Self-operation gives the municipality the greatest control over the golf operation. The City of Alameda would retain control over all employees, course maintenance, policies and procedures, hours of operation, fee schedules, and operating and capital budgets. All revenues would be available to pay for operating and maintaining the facility and making transfers to the General Fund. Self-operation also means that the City would have to find a way to fund needed capital improvements.

Self-operation can have a downside, as some municipalities have painfully learned. Some municipal golf operations have been managed by political considerations rather than best business practices. Invariably, these operations begin to suffer from a lack of resources due to low revenues and high expenses. Quite often, when revenues are inadequate to meet operating expenses, budgets are cut and the quality of the facility begins to deteriorate, resulting in a loss of customers and a further loss of revenues. The golf operation usually goes into a downward spiral, forcing the municipality to seek solutions.

Advantages of Self-Operation

- Simplest option
- Direct municipal control of the assets
- Retain municipal employees

Disadvantages of Self-Operation

- Golf operation may require subsidies from the General Fund.
- Revenues may not cover rapidly increasing costs (particularly labor), especially when golf market is in decline.
- Municipality may lack necessary expertise in managing golf facilities.
- When revenues and/or operating/capital reserves are down, needed improvements may not be funded (or at least deferred).

Discussion

As we have documented in this report this option could result in continuing operating deficits, *after charges and transfers to the City's General Fund and other funds*. Continued deficits would preclude any meaningful capital improvements, and further deplete the "Unrestricted Fund Balance". Even if rounds and revenues recover in this very competitive environment, expense growth, especially labor, may outpace revenue growth.

Should this option be chosen, the City must be aware that "something has got to give" eventually. The inability to fund capital improvements, and ever increasing operating expenses, will ultimately result in a less attractive product to golfers, leading to continued rounds and revenue decreases, and ultimately resulting in what NGF Consulting terms the "death spiral".

The City has to also consider how it views Chuck Corica. Is the golf facility seen primarily as an amenity to residents in much the same way as other parks that do not produce revenue? If so, then the City should be prepared to realize smaller and smaller transfers from the Golf Fund so that the facility can be improved as needed. However, if the City desires to continue to generate a return from Chuck Corica, then the facility needs to be run more like a business, free of political considerations that place constraints on revenues and operational efficiencies. This will likely require a substantial change in the operational dynamic of Chuck Corica.

Full Service Management Contract

The primary goal of a management contract or management agreement is to provide the golf facility with experienced, professional managers who are responsible for the daily operations, thus relieving the municipality of this task. In a typical management contract, the municipality hires a firm that is charged with all management responsibility. The municipality funds all capital improvements, and the management firm hires all employees. Because employees work for the management firm and not the municipality payroll cost may be less, thus, the operating expenses may be reduced.

The management firm collects all revenue and provides accounting reports to the municipality. All revenues belong to the municipality, as well as the responsibility for all expenses. The municipality reimburses the management firm for all payroll expenses and pays the firm a management fee. The management fee is often a fixed dollar amount, a predetermined percentage of operating revenues, or some combination of both. Sometimes, the management firm is paid an incentive that is predicated on percentages of gross receipts or net income, over and above the established minimum revenues. The operating expense budget must be maintained at the original projection for incentives to be earned. Management fees vary depending on the size of the facility and the level of responsibility of the management firm.

The management firm submits detailed budgets to the municipality prior to the operating year. The municipality monitors the firm's utilization of budgeted funds and is responsible for any unforeseen expenses beyond the control of the management firm. Because of the close working relationship between the municipality and the management firm, the changing golf economy, and capital requirements of golf courses, the typical management contract requires frequent revision. The length of the typical agreement is relatively short, two to five years, and may include option periods.

Advantages of Management Contracts

- Operating costs are likely to be significantly reduced because the management firm hires all employees at costs that can be less than what the municipality would have to pay.

- It is assumed that the company or individual hired has experience and expertise in golf facility operations. Not only can this provide help in operations and maintenance but also in other areas such as marketing and merchandising.

- The municipality is removed from day-to-day operation in exchange for a payment of a pre-determined fee plus a percentage of gross revenues or some other formula, which is equitable to both parties. In addition, all net revenues are retained by the municipality.

Disadvantages of Management Contracts

- Though this option offers the municipality more control than with an operating lease, it offers less control than self-operation.

- The municipality would still need a person at the Parks/Municipality level with golf course expertise who could spend a significant amount of time overseeing the golf operation and contract compliance.

- Unlike a lease, management contracts usually do not provide a guaranteed income for the owner (the municipality), but rather a guaranteed income for the management entity. The major concern with a management contract is the risk the municipality would be taking relative to shortfalls. The management firm's fee is guaranteed, as long as the contract provisions have been met. However, anything that negatively impacts revenue could leave the municipality with a shortfall (operating risk is with the municipality).

- The municipality would still be responsible for the capital improvements (which NGF Consulting believes is a critical element in the case of Chuck Corica).

- Unless carefully structured, the management entity may not have an incentive to control expenses, as they flow through to the municipality.

- Management companies often will move managers around, taking their best managers and putting them into their most profitable facilities. Also, management entities often 'relax' in the last year of an agreement, unless the entity is strongly motivated to want to renew the contract.

Discussion

This is an option that could produce significant results, as long as the selected management company is of good quality and is given full responsibility for the operation. Under most true management company scenarios, operating expenses will still flow through to the municipality; however, labor costs are likely to be sharply reduced, as are problems regarding issues such as termination policies. The overall quality of these types of agreements rests with the municipality's ability to find a qualified company, negotiate a contract that is "win-win" for both sides, and then provide proper oversight to see to it that the contract is complied with.

In conjunction with a well-constructed contract, the management contract form of operation provides the controls necessary to protect a substantial asset. In a golf market on the upswing (which the Bay Area most assuredly has not been in many years), the management contract also provides the greatest amount of up-side revenue potential to the municipality, and allows the municipality to reinvest in operating and capital programs. This option also provides the most flexibility of any management style short of self-operation. Finally, often the management firm can affect changes that otherwise would be more difficult to change by the municipality because of political pressure in the community. In other words, the management firm is better prepared to take the heat that will result from changes in operation than the municipality's elected and appointed officials.

The large downside to the management company option for the City of Alameda is the lack of any guarantees in terms of net revenues, which is especially relevant in this case due to the large amount of transfers going to the City's General Fund. In short, the City remains the real risk taker and potential loser in the operation, especially given the very real risk that golf market conditions will become more difficult. Just as important, a management contract is generally not the best option when substantial capital is needed to upgrade the physical facility, which we believe to be the case at Chuck Corica.

Concession Agreement

This form of agreement is similar to a lease agreement. However, a concession agreement usually involves granting a license to operate a facility rather than the right to occupy the premises. It is very common, especially in the Bay Area, for the Food & Beverage revenue center to be concessioned. The second most typical concession agreement would be for the

Pro Shop, including the cart, merchandise, lesson, and driving range. In this case, the municipality receives all green fees, plus an agreed upon percentage of the other revenue centers. The municipality typically is responsible for the maintenance. Concession agreements are thought to be easier to cancel than a lease agreement, are frequently for a shorter term, and contain more controls. Concessions agreements are usually granted for properties in "as is" condition and seldom require the concessionaire to make major physical improvements to the facility.

Concessionaires are frequently permitted to use course-owned equipment with only the obligation to maintain the equipment. Because of the short term of most concession agreements, there is little incentive to make major investments on the part of the concessionaire. Payment to the municipality for a concession license is usually a flat fee plus a percentage of gross receipts.

Advantages of a Concession Agreement

- The municipality would be removed from the day-to-day operation in exchange for green fees and a pre-determined percentage of other gross receipts.
- Concession agreements provide more control than an operating lease, but less than a management contract.
- The term of a concession agreement is typically shorter than an operating lease.

Disadvantages of a Concession Agreement

- The municipality would be responsible for all major capital improvements.
- In most cases, the municipality would retain the very expensive course maintenance function.
- There are likely to be fewer highly qualified management firms interested in a short-term concession agreement. Management firms frequently prefer to put their resources into projects that have longer terms and have the potential to be more financially rewarding

Contracting the Maintenance Only

NGF Consulting does not consider this to be a viable option for the City of Alameda. In this case, the City would continue to manage the golf course with municipal employees, but would privatize the maintenance function. Though this would almost certainly result in significant savings on labor expenses, the private fixed-fee maintenance company would have no revenue incentive, and adherence to maintenance standards could be hard to enforce. These types of arrangements often lead to conflicts between the management of the golf course and the maintenance company, as the two parties can often be at cross-purposes. Finally, contracting only the maintenance will not solve the operational problems identified in this report, and the cost of general and administrative payroll and expenses will continue to rise.

Operating Lease

The primary goals of an operating lease are to relieve the municipality of all operating concerns, to ensure a minimum rent payment to the municipality, and to improve and/or protect the asset. An operating lease is similar to a management contract in that the lessee, like the management firm, hires and fires all employees and is responsible for the day-to-day operation of the facility. The difference between the two is that the lessee would be committed to pay the municipality a fixed rent, pay all operating expenses, supply equipment and, typically, provide some capital for investment in the golf facility.

In exchange for incurring all operating expenses and at least sharing capital upkeep, the private lessee would receive most (if not all) of the revenue and pay the municipality either a flat payment (flat lease) or a percentage of revenue (percentage lease), in conjunction with a guaranteed minimum base payment.

Advantages to Leasing

- **Burden of Risk**: Leasing the facility to a private entity shifts the burden of operational risk to the lessee. This includes the risk associated with rapidly rising labor and other expenses, as well as potential continued downturns in rounds played and revenues. Barring a breach of the contract, the municipality would have a guaranteed net revenue stream, as the only expenses will be those associated with administering the contract, oversight, and compliance.

- **Simplicity:** The municipality would be relieved of the day-to-day responsibility in maintaining and operating the facility. (As with all management options, the municipality should have a person who has golf course expertise monitoring the operation and enforcing contract compliance).

- **Capital Improvements:** Depending on the relative attractiveness of the business opportunity to the private entity, the lease terms could require the lessee to make, or at least contribute significantly to, needed capital improvements.

- **Maintenance Equipment:** The lessee would be responsible for providing maintenance equipment and golf carts.

Disadvantages to Leasing

- **Control**: This lease option offers the municipality the least amount of control over the golf course operation, especially with regard to:

- **Pricing:** Unless specified in the lease, the lessee may seek free rein over golf fees, likely making the golf courses more expensive to the general public. If the lease has restrictions on raising fees, the lease option becomes less appealing to the private companies that may be bidding for the lease award.

- **Quality:** Unless the contract is carefully executed, the municipality would have little ability to regulate the quality of the operation, as long as the lease terms are met. And even if they are not met, the legal and practical cost to "force" conformity with the lease can be expensive.

- **Profit Motive:** This is closely tied to the control issue. If not carefully executed, a lease arrangement may directly conflict with the objective of providing an affordable, enjoyable recreation activity for residents, as private interests (including maximizing return) can often be in opposition to public interests (such as providing a community service).

- **Labor Issues:** The lease will likely mean that municipal maintenance employees would lose their positions at the golf courses, or at least face reductions in pay and/or benefits if the lessee decides to make them an offer. However, it is often the case that these individuals are transferred to other positions within the Parks Department or elsewhere in the municipality.

- **Revenue Constraint**: As would be expected when one party shares a disproportionately low share of the risk, the municipality would receive less of the upside revenue potential than it would with a management contract. This is likely to be an issue only when the operator is very successful at growing revenues or creating new revenue centers (and generally only when a golf market is on the upswing).

- **Long Term:** Leases are typically for a long term, especially if capital improvements are included in the lease terms. This makes it difficult to get out of the lease, should the municipality become displeased with the lessee's operations of the facility.

- **Down Market**: The lessee may be forced to cut maintenance expenses and/or raise fees if revenues do not meet expectations. Unexpected golf market downturns (as has occurred in the Bay Area since 2000) often lead to the lessee seeking to renegotiate terms.

Discussion

While leasing of municipal golf facilities was popular in previous decades, its popularity waned in the 1990s as golf revenues were increasing and municipalities began to see what they thought were large sums in golf revenue going to an outside vendor and not the municipality. However, since the turn of the 21st century leases are coming back into fashion for municipal golf facilities, particularly in California. This has been due to increased competition in the golf market and the growing need for expert and efficient management and marketing. Leasing out the golf operations shifts the burden of operating risk to the private vendor, and provides a guaranteed revenue stream to the municipality. In most cases, the vendor will also contribute to, or even completely fund, capital improvements.

Although the appeal of turning everything over to an outside agency does have a lot of merit, especially in terms of meeting all of its goals for Chuck Corica (sustaining operations, making transfers to City, and funding capital improvements), we should note some downsides of this option. First, the current Chuck Corica municipal employees will be affected, although some individuals may be reassigned elsewhere. Secondly, it may be difficult to attract an acceptable vendor with lease terms palatable to both the City and the vendor. The municipalities that find trouble in lease agreements often have entered into agreements where one party or the other is doing better. If the deal is too favorable to the City, the vendor may struggle and the asset could suffer as a result. If the deal is too favorable for the vendor, the municipality could suffer. So it is clear the contract terms are key to any successful lease arrangement.

RECOMMENDATION

The purpose of this discussion was to present some alternative management/ maintenance scenarios that the City of Alameda could consider for Chuck Corica Golf Complex, *should it decide self-operation is no longer viable*. Having analyzed the operations at Chuck Corica, and weighed the pros and cons of the alternatives we just discussed as they apply to the City of Alameda, NGF Consulting has concluded that an Operating Lease is the management alternative that makes the most sense for Alameda.

Should Alameda decide to lease Chuck Corica, the City would have virtually no involvement in operating and personnel decisions, and would have little or no involvement in determining operating expense budgets. *However, if the lease agreement is properly constructed with* *regard to lessee controls, reports, maintenance specifications, and capital improvement provisions, the operating lease can provide the necessary protection for the municipality and the golf facility asset.* (The contract can also contain a provision regarding the setting of resident green fees, as is the case between the City of San Leandro and American Golf).

Just as important, the lessee will almost certainly be required to at least share in the cost of capital improvements that the City would not otherwise be able to fund under the current operating scenario or with a management company. (The need for these improvements at Chuck Corica, and the current lack of funding, makes the Management Contract alternative untenable). There are many examples of municipal golf course leases in which the private operator has financed large scale capital improvements (see Monarch Bay as an example in this market).

However, in order for this to happen, the lease must be viewed as a great opportunity for the bidder, in terms of upside revenue potential and freedom to run the golf facility without unreasonable restrictions regarding fees or institutionalized "sacred cows". The City of Oakland issued and RFQ in late 2006 seeking a private operator to renovate, manage, and maintain Lake Chabot Golf Course. According to Parks staff, the City was prepared to meet the potential lessee halfway in terms of funding for improvements, with each side responsible for about $3 million initially. However, the City did not draw sufficient interest, and the facility is currently being run under a short-term management contract.

NGF Consulting believes that Chuck Corica, which generated $5 million in revenue as recently as 2003-04, would be very attractive to potential suitors. There is a sense among many area golf operators that the market has bottomed out and will begin to recover. Also, many told NGF Consulting confidentially that Chuck Corica has tremendous potential with the right management, and assuming that political considerations did not interfere with best business practices.

NGF Consulting Operational Recommendations

NGF Consulting has prepared the following recommendations that we believe will help the City of Alameda to run a more effective and efficient operation at Chuck Corica Golf Complex. These recommendations are made under the assumption that the City continues to self-operate the facility.

STAFFING

The General Manager position is currently vacated at Chuck Corica. NGF Consulting has concluded that the facility needs a very strong professional with expertise in all aspects of golf facility management and operations to "take control" of Chuck Corica. This person, whose title might be "Operations Manager", needs to be extremely knowledgeable about the business of golf, and must be strong-willed enough to begin to chip away at the entitlement culture and political considerations that seem to shape policy at Chuck Corica.

The Operations Manager position needs someone with overall management skills, as well as knowledge and expertise regarding every facet of a golf operation. It is also important that this position be manned by someone who is a "people person," something that is especially important in municipal golf. NGF Consulting believes it is also important in the golf industry that top facility management be on-site on weekends, at least in the mornings. The Operations Manager would answer directly to a person in Administration at the Recreation and Parks Department.

We also believe there should be a second management position, which should be filled by an individual with the appropriate skill sets. NGF Consulting believes that the second position be a "revenue-producing" job, with a position title such as "Marketing Director" or "Director of Sales". NGF Consulting believes that the second position be a "revenue-producing" job, similar to the new Golf Operations Manager position recently created at Metropolitan Golf Links. At Metropolitan, this position replaced the Head Pro/Director of Golf and Tournament Director Positions. As we envision at Chuck Corica, the main duties of this second in command position should be customer service, tournament sales and facilitation (especially important if the new stand-alone banquet center is built, merchandising, and development of a strong teaching and player development program.

As for everyday staffing levels for the pro shop and outside services, it is difficult to determine exact staffing needs without doing a detailed on-site analysis over many days. What we can conclude is that, unless there is relatively even and predictable demand, it is the nature of the beast that sometimes a pro shop will appear overstaffed, and at other times is will appear understaffed. A highly skilled facility manager who closely monitors golf demand and staffing should, over time, be able to determine the most efficient staffing levels for Chuck Corica at various times.

The factor that should carry the most weight in making this determination (other than budget constraints, obviously) is whether excess staffing is resulting in unnecessary expense or, conversely, whether insufficient staffing is resulting in poor customer service to the extent that lost revenues outweigh the cost of additional staffing. Another critical issue that can help immensely during peak demand periods, is that outside services staff be cross-trained to help out in the pro shop when needed (or that pro shop people be willing to help out outside when necessary.

TRAINING

NGF Consulting was told that no employee training manual exists. Additionally, because of high turnover, there is reportedly constant training. Top management must create a formal training manual and program, to replace the "trial by fire" method that is currently employed. Additionally, strong employees must be given an incentive to stay on, rather than simply given a bigger workload for the same pay.

COST ALLOCATION, SURCHARGES, PILOT, ROI

Based on the continuing decline of the economic performance of Chuck Corica Golf Complex, NGF Consulting has concluded that the Surcharge and PILOT/ROI transfers from Golf to the General Fund are no longer viable economically from the standpoint of the Golf Fund. The City should assume that rounds played and revenues at Chuck Corica are going to be in the present range into the foreseeable future, especially if necessary facility improvements are not funded. Therefore, the continuation of the annual transfers will result in further depletion of the Golf Fund's operating reserve, until it is ultimately gone.

To put it another way, continuing to transfer these funds out of Chuck Corica falls under the category of "something's got to give". Ultimately, a combination of factors – flat revenues, rapidly rising labor costs, continued large-scale transfers out of the Golf Fund, and the lack of any capital improvement funding – may result in the "perfect storm" at Chuck Corica. *Still, as we will see when we present various cash flow models for Chuck Corica later in this report, cessation of some, or even all, of the transfers, while a necessary component of any potential economic recovery, is likely to ultimately prove insufficient if the goal for the Golf Fund is to generate enough revenue to be sustain operations into the future and fund necessary capital improvements.*

If the City decides to cease some, but not all, of the transfers, municipal golf industry standards may help the City prioritize those that should be suspended first. As detailed in this report, Cost Allocation, or City charges for administrative support, etc. to the Golf Fund, is a relatively typical expense charged to Golf Enterprise Funds. Though NGF Consulting cannot comment on the appropriateness of the amount being charged, it is not unreasonable for the City to continue to charge this as an operating expense for Chuck Corica.

Likewise, it is not necessarily unusual for NGF Consulting to come across the Payment in Lieu of Taxes charge when performing municipal operational reviews, but the charge is more common when there is a private lessee or concessionaire involved in the golf operation. We have also seen Surcharges as transfers in municipal golf systems; however, they are not common and are normally listed as separate charges to the golfer (in addition to the green fee). Additionally, they are often tied to funding for specific capital improvement projects, and we rarely see surcharges as a transfer to the General Fund when a golf enterprise fund is struggling economically.

Finally, we cannot recall ever seeing a transfer labeled "return on investment", though it is not unusual for all profits of a golf enterprise fund to be transferred to the General Fund *after all operating, reserve, and capital improvement obligations for the year have been satisfied.* Based on this discussion, if the City were prioritizing which of these transfers to discontinue based on golf industry norms and the current fiscal state of the Golf Fund, ROI would likely be eliminated first, followed by surcharges, and then PILOT.

FEES

Earlier in the report, we noted that the market seemed to absorb most of the recent price increases at Chuck Corica. However, this was based on only a two-month comparison. NGF Consulting believes that Chuck Corica is generally priced appropriately, given its price/value proposition relative to its chief competitors. Specific fee recommendations for Chuck Corica are:

- The facility would likely pick up some play during off-peak periods if it became slightly more aggressive in its pricing for some non-resident discount categories - specifically senior and twilight/late twilight. NGF Consulting believes that Metropolitan, Monarch Bay and Tilden Park offer superior values to Chuck Corica across these categories.

- Begin twilight at 2:00 p.m., and super twilight at 4:00 p.m. to be more competitive with Metropolitan, Monarch Bay, and Tilden.

- Similar to Metropolitan, create a senior rate that includes cart and breakfast.

- Though it will not make a huge difference in revenues, we see no reason why the Junior resident rate cannot be raised to about $3, if for no other reason than to keep up with inflation. It will still be the best bargain for Juniors in this market.

- Simplify the fee structure – NGF Consulting earlier gave examples of several categories that can be combined into one.

- Allow some flexibility to adjust fees seasonally or based on demand, without Council approval. This policy will allow Chuck Corica to be more competitive, especially with privately-operated daily fee facilities that practice yield management. As noted by the Golf Services Manager, it would also be appropriate to have discounted fees during overseeding, or when one or both courses are "cart path only" due to recent rains.

MARKETING

The management at Chuck Corica should prepare a comprehensive marketing plan incorporating research, planning, strategy, market identification, budget, advertising, timetable, and follow-up. Also, there should be more of a commitment to marketing, as the overall Bay Area golf market has become much more competitive over the last decade, and Chuck Corica has lost a considerable amount of rounds during this time.

Unfortunately, until Chuck Corica is improved, the main selling point of the facility is its affordability and convenience for resident golfers. If the recommended physical improvements are undertaken at some point, the City will have more of a story to tell, particularly for non-resident and visiting golfers. The North and South courses have the potential to offer very unique and different golf experiences. The City needs to capitalize on this aspect, further distinguishing the courses from each other.

A goal would be to achieve the following positions for these golf courses:

The **Earl Fry Course** represents one of California's best remaining examples of the work of legendary golf course architect William Park Bell. Together with his son William F. Bell, their legacy remains within this strategic and exciting golf course, winding its way through, across and along the waterways of Alameda's Bay Farm Island. A round of golf here is like stepping back in time. The challenge and ambiance is second to none in the East Bay Area—one of quality condition and classic hazards amid a parkland setting.

The **Jack Clark Course** is an intricate test of skill. This windswept landscape is home to rolling fairways, diabolical water hazards and perilous bunkers. In contrast to its counterpart, Alameda's more classic and subtle Earl Fry Course, the Jack Clark rises up and grabs the attention of golfers. With its combination of length and challenge, it has gained a reputation as one of the Bay Area's most challenging tests of golf.

The **Mif Albright Course** is the perfect introduction to golf. But, it is also a rigorous test for the short game of the accomplished player. Its style stems from the many fun, short and enjoyable par-3 courses of the British Isles - full of hazards and challenge, yet sized to test any skill level. In today's time constrained society, it is the ideal venue to hone your game in less than an hour.

Direct Selling / Tournaments

For a 45-hole facility, Chuck Corica has a low number of tournament rounds each year. A new banquet facility will make selling outings easier, and NGF Consulting believes that hosting more large tournaments is critical to rebuilding play levels and revenues at Chuck Corica, which has the advantage of being able to accommodate weekend tournaments without completely disrupting daily fee play.

Advertising and public relations are certainly useful, but direct selling and networking are essential to successfully drawing large events. This takes a strong commitment, as cold calling and direct selling are not everyone's "cup of tea". Chuck Corica's marketing plan should aggressively target local groups and event planners, promoting the club as the best facility for a golf outing. Drawing these events, as any direct marketer can attest, boils down to a numbers game. The more groups that are solicited, the more success the facility will have. Also, management must be willing to get their hands dirty and get on the phone in order for this campaign to work.

Of course, the second critical element to positioning the club as the place to hold events is following through by providing a good experience. More so than daily fee play, large tournaments and outings are very much about entertainment and camaraderie, rather than golf. As we've noted before, facility improvements should be made and the club must be prepared to give a high quality golf experience before going all-out to draw large events to Chuck Corica, as they are generally at the highest green fee and expose many golfers to the club for the first time. Additionally, by providing a top-flight experience, annual events can often be re-booked immediately after an outing, thus reducing uncertainty.

E-mail Database

E-mail databases are essential in today's golf market place, as a means of staying in touch with the club's customer base. It allows the facility to build loyalty and to practice yield management with unsold tee times by advertising special deals. Management should continue to work with CourseTrends and find other ways to capture customer e-mail addresses. Something as simple as putting a slip or business card on the pro shop counter with a "Win a free round of golf" message and a place for name and e-mail address can be effective.

General Marketing Recommendations

- Management should take full advantage of yield management to sell un-booked tee times (unsold inventory is gone forever), especially during off-peak periods such as weekdays, afternoons, and summer; on-course management should be given the flexibility to advertise specials via e-mail blast, etc. on short notice.

- Management should institute a Frequent Player/Loyalty Program. There are many variations of these programs, but essentially they are a way to build loyalty in hyper–competitive markets. An example would be a "Player's Card," which accrues points good toward future purchases, or which award every 11th round as free.

- Programming / Player Development – this is especially critical for a facility with a large contingent of senior players, such as Chuck Corica. These seniors will eventually reach an age where they will begin to play less frequently, so one of the critical elements to the long-term viability of Chuck Corica is player development, which should be an ongoing effort.

CUSTOMER SERVICE

Chuck Corica did not fare well (compared to national benchmark grades) on the golfer survey for "Friendliness/Service of Staff", which is a very key business driver at any golf operation. Also, this was an issue that came up in our interviews with various stakeholders of Chuck Corica.

It is intuitive, but cannot be stressed enough: good customer service is crucial to providing a high quality golf experience. For instance, identifying and greeting first time customers, perhaps with a small token of appreciation like a free beverage as they exit the 18th green, is an invaluable public relations tool and can make up for a poor round of golf. A golf club cannot give a customer a reason not to return – there are simply too many other choices out there. Management at Chuck Corica should institute a customer service program, and should periodically survey its customers to track its progress.

MARSHALS / RANGERS

Volunteer programs can work well, as long as they are not taken for granted. Sometimes, both the paid staff and the volunteers fail to take the marshal job seriously. The marshals are doing it only to earn free golf and may not be motivated to do the job right. On the other hand, it is frequently the case that the management does not take the job seriously either, and does not do a good job in hiring and an even poorer job in training and supervising.

Many golf operations depend upon rangers to control the pace of play and to "police" the course. Others, however, are using a variety of methods, including use of GPS on carts, to control the pace of play, and have done away with the "police" image in exchange for a "player assistance" image. For example, many courses avoid having their rangers confront slow players by flying different colored flags from the ranger's cart. A green flag indicates that a group is maintaining the proper pace of play. An orange flag indicates that a group has fallen behind and should speed up play. A red flag means that a group is holding up play and should pick up their balls and go immediately to the next tee.

NGF Consulting recommends that management develop a training program for rangers that includes written materials, classroom instruction, and on-the-job supervision by course management. There should be daily interaction between management and the ranger staff at the beginning and end of each person's shift. Rangers should be required to prepare a brief written report detailing what occurred on their tour. Management should review these reports in a timely manner to see if trends are developing that may need to be addressed.

The usefulness of ranger services cannot be evaluated solely by the number of hours they are on the golf course. Chuck Corica management must ensure that rangers must be trained and well supervised. They must be given policies and procedures that govern a variety of situations they are likely to encounter. They must also have a clear understanding of the authority that has been delegated to them.

STARTER MARSHALS

We recommend that Chuck Corica utilize starters during all times that are known to be peak demand periods, including weekends and at the beginning of twilight times. This is especially true of the South course, as the pro shop does not have as good a sight line as it does of the #1 North tee. The starters would likely be drawn from the same pool as the rangers, but should be selected based on personality and reliability. The starter should be given a copy of the tee sheet and be responsible for pairing up smaller groups (singles, doubles, etc.). The starter is responsible for checking receipts to make sure all the golfers have paid and have paid the correct amount (e.g. did they pay a cart fee if they are riding?).

COMPLEMENTARY ROUNDS / LOST REVENUES

The high number of 'Comp' rounds at Chuck Corica was discussed in detail in this report. While we noted that it is impossible to tell how much lost revenue this results in, it is clear that reducing them would add to the bottom line, as some of these free rounds will become paid rounds. NGF Consulting recommends that complementary rounds be restricted to employees and volunteers only, with the exception of free rounds that are truly used for promotional purposes (golf707, etc.). Management may also want to consider eliminating tee times, and making the comp rounds available on a same-day basis only, based on availability. Finally, there should be a strong edict, as we observed at some other area municipal golf courses, that the system is not to be abused or taken advantage of.

Another source of lost revenues at Chuck Corica involves range buckets and the teaching program. Range buckets associated with lessons are often a strong source of revenue at golf courses. Currently, teachers at Chuck Corica are entitled to unlimited free buckets of range balls. The City should strongly consider limiting this to one bucket per lesson, or even charging for the bucket and having the revenue come to the City.

Finally, in our interviews with Chuck Corica stakeholders, it was conveyed to us that some golfers have been exchanging monthly tickets with non-ticket holders. If true, and depending on how often this occurs, this could represent serious lost revenue to the facility. The obvious solution is to either put pictures on the tickets, or to require that pro shop personnel carefully check identification whenever a ticket holder comes to play.

PACE OF PLAY

NGF Consulting interviews, backed up by the results of the Golfer Survey Program, indicate that slow pace of play is a serious concern for many golfers at Chuck Corica GC. Below are some recommendations for improving pace of play.

- **Monitoring:** The first step is to determine whether or not this is a problem. This should be accomplished by developing a systematic way of tracking pace of play. This is best done by utilizing a starter who will record the start time of every group; thus records can be established of what the pace of play really is. If the pace is over four and half hours, it is a problem.

- **Improving:** There are a number of strategies that can be employed to improve the pace-of-play including:

  - **Pin Placement:** Though we were not told that pin placement was a contributing source to slow pace of play at Chuck Corica, non-punitive pin placement – such as avoiding locating the hole on a steep slope – can help to pick up play, especially on a municipal golf course where golfers of such varying skill levels co-mingle.

  - **Appropriate Tee:** Golfers new to a course are often unsure as to which tee box to use. Starters should be trained to help golfers identify the most appropriate tee for their individual skill level and experience with the golf course. We would also recommend that these handicap suggestions be put on the scorecard.

  - **Tee Time Interval:** When there are consistent delays at the start, it is indicative of a tee time interval that is too short. We are told that Chuck Corica utilizes alternating 7/8 minute intervals. If slow play continues to be an issue, we would recommend going to a 9- or 10-minute interval.

As noted in this report, a large problem at Chuck Corica seems to be that management does not consider slow play to be a serious issue, or at least a top priority. This attitude apparently manifests itself in a marshal staff that is untrained or unmotivated to move players along effectively. Management must create and employ a Pace of Play policy. This is most important and should be given to all golfers, including those that have played the course. The facility's pace-of-play policy should be explained and golfers encouraged to keep up with the group in front of them. This creates an expectation with the golfer and can be done in a manner that is professional and inoffensive. If the City continues to self-operate Chuck Corica and follows NGF Consulting's recommendation regarding the top management positions, the hiring of the new positions would be a perfect time to instill a "new sheriff in town" mentality toward slow play.

Improved directional signage would help those golfers that are new to Chuck Corica transition properly from one hole to the next. We have previously noted the sometimes confusing layout in areas such as #9 green/ #10 tee on the South course. Finally, signage (that is actually large enough to read) should be placed at designated spots, reiterating the club's pace of play policy.

ON-COURSE SERVICES

Chuck Corica's on-course services leave a lot to be desired. The halfway house reportedly suffers from poor customer service, and its location is likely a contributor to slow play. There is no beverage cart service on weekdays, and only one cart to service both courses on weekends. Finally, there is only one restroom on the South course, and all on-course restrooms suffer from a general lack of cleanliness (as do the restrooms in the clubhouse).

NGF Consulting recommends closing the Snack Shack facility in favor of running a beverage cart on each course during peak demand times, and one to serve both courses during slower play periods. Secondly, as we noted in our prioritized list of capital improvements, the City should consider adding a second restroom on the South course. Finally, management should make sure that restrooms are cleaned daily, as unsanitary conditions reflect very poorly on both the golf course and the City, especially to first time players and visiting golfers.

CLUBHOUSE / STAND-ALONE BANQUET CENTER

NGF Consulting has previously noted the many shortcoming of the present clubhouse at Chuck Corica, especially from a functionality and programming perspective. The poor layout of the facility and the lack of banquet/event space undoubtedly constrain revenues. However, we have also noted that a new clubhouse is not likely to pay for itself in terms of incremental revenues, at least in the short term. Assets deteriorate, and the building will ultimately have to be replaced eventually even if it doesn't pay for itself, if the City of Alameda wants to remain in the golf business. Because of the lack of financing, and assuming no structural defects or safety issues, the clubhouse falls under the category of "want" rather than "need" at this point, and NGF Consulting has concluded that golf course improvements take higher priority.

Conversely, NGF Consulting recommends that the City proceed with plans to add a new stand-alone banquet center. Our previous analysis showed that a new banquet center, with a capacity of 300 and an approximate cost of $2 million, is likely to pay for itself in terms of incremental revenue generated. Depending on the financing terms, the annual debt service should be between $160,000 and $180,000; our analysis revealed that incremental revenues resulting from increased tournament rounds and food & beverage lease payments to the City should easily exceed this amount.

Projected Economic Performance for the Chuck Corica Golf Complex

Based on our analysis of the Chuck Corica Golf Complex, as well as the market in which it operates, NGF Consulting has prepared a five-year financial pro forma for the facility. Cash flow models have been prepared for three scenarios:

1. Operation continues "as is" (assumes continuation of current market conditions, management, maintenance, CIP policy, annual transfers, with no implementation of NGFC findings). *The only change assumed under this "base" scenario is that the stand-alone banquet center (capacity 300) is built and operational by 2008-09.*

2. Continued self-management and maintenance by City, but with implementation of NGFC operational recommendations made in this report. *It is assumed that capital improvements recommended in this report cannot be funded, so the banquet center remains the only new major facility improvement in this scenario.*

3. Operation and maintenance by independent lessee. Other than banquet center, no recommended capital improvements are assumed to be made, as funding for, and timing of, these improvements will be a negotiation process between the two parties. The City will retain some control with respect to approval of resident fees and compliance with maintenance standards and capital improvement requirements.

SCENARIO 1 – CONTINUE "AS IS"

NGF Consulting has made a series of assumptions for each of the three cash flow models prepared for Chuck Corica. The assumptions for Scenario 1 – Continue "As Is" – are listed below.

General Assumptions

- Market conditions remain the same, in terms of golf facility inventory, population, and general economic health.

- General maintenance conditions of Chuck Corica are similar to current standards.

- FY 2007-08 is considered year 1 of the pro forma. FY 2005-06 actual results was considered a base year for many of the projections, though preliminary 2006-07 figures for rounds played were used as the basis for rounds played. The 2007-08 budget figure was used for Wages & Benefits expense.

- Management of Chuck Corica continues as is, under direction of Interim General Manager from Parks staff. The General Manager position is assumed to be vacated at Chuck Corica, while other staffing levels are assumed to remain the same as in the base year.

- We assume that all annual transfers from Golf to the General Fund will continue.

- Since a lack of funding has put all capital improvement projects on hold, the only major improvement we assume is the stand-alone banquet center, which is expected to be operational by 2008-09.

- Associated annual debt service for the banquet center was projected based on a $2 million cost, 20-year financing, and 5% interest rate.

Basis for Projections

Rounds Played

- As noted, preliminary 2006-07 figures for rounds played were used as the base year for rounds played. FY 2006-07 is assumed to be a 'typical' year in terms of weather and playable days.

- A schedule of additional tournament rounds was included, beginning in 2008-09; these rounds are attributed to the banquet facility and the ability to solicit and facilitate larger events.

Revenues

- Average revenues per round were derived for all revenue centers, based on actual FY 05-06 results. These numbers were then used as the basis for future projections.

- Actual FY 2005-06 green fee revenue per round was used as the base year for all three courses:

  - Early Fry green fee revenue per round is projected to increase by 4.7% per year, which was the Compound Annual Growth Rate (CAGR) between 2001-02 and 2005-06.

  - Jack Clark green fee revenue per round is projected to increase by 2.8% per year – the CAGR between 2001-02 and 2005-06.

  - Mif Albright green fee revenue per round is projected to increase by 4.4% per year, based on CAGR over previous five years.

  - Average tournament green fee revenue per round was assumed to be $45 in 2007-08, growing at 3% annually thereafter.

- The basis for cart revenue per round was the average number for the previous five-year period, plus 7% to reflect the increase in price from $14 to $15.

- Monthly ticket revenue was expressed as a function of total rounds, and was derived from a five-year average.

- Shop merchandise revenue per round was based on 05-06 actual result, growing at 3% per year after year 1.

- Driving range revenue per round was based on a very consistent five-year average of $3.12. No growth was projected.

- Lesson revenue per round was also based on a very consistent five-year average - $1.29 – with no growth projected.

- 'Other' revenues (ID cards, gift certificates, locker/reservation fees, rentals, "other contributions"), again, was based on a consistent five-year average of $0.35, with no growth projected.

- Base year *Gross* Food & Beverage was assumed to be $1.3 million, based on the concessionaire's projections. Beginning in 2008-09, with the addition of the banquet center, a schedule of gross revenues was prepared, ranging from $2 million in 08-09 to $2.5 million in 2011-12. Percentage rent to the City is projected to change to 10% of gross revenues (from current 8%), beginning in 2008-09.

- Non-operating revenues were held at a constant $70,000.

Operating Expenses

- The 2007-08 budget was used for Wages & Benefits expense. Growth for labor expenses was based on the CAGR between 01-02 and 05-06, which was 6.3%.

- Professional Services expense was based on the average expense per round for the previous five-year period - $2.49.

- Actual 05-06 results were used as the base for Utilities expense, and a CAGR of 1.19% applied based on previous five-year period.

- Repair and Maintenance Supplies, *which includes cost of goods sold in the pro shop*, is estimated based on the 05-06 figure of $3.45 per round.

- The 'Other' expenses category is estimated based on the 05-06 figure of $1.52 per round.

- Depreciation is held constant at 05-06 figure of $360,283.

- Annual Debt Service is estimated to be about $295,000. This includes the current payment of $135,000, plus additional debt of $160,000 related to the new banquet facility.

- There is no Capital Improvement Plan set-aside line item.

Annual Transfers

- PILOT/ROI is assumed to be constant at $425,000.

- Cost Allocation estimates represent a 3% annual growth rate over the actual 05-06 figure.

- For years 07-08, Surcharges are estimated based on the 05-06 average figure of $1.00 per round. With the additional tournament rounds (subject to $4 surcharge) beginning in 08-09, surcharges are estimated to be $1.05 per round.

Cash Flow Statement

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements that follow. Each category of revenue has been listed separately, and all figures have been rounded to the nearest $100 for simplicity.

Chuck Corica GC Projected Financial Performance (FY 07-08 through-FY 11-12)

Projected Cash Flow Analysis Scenario 1
Chuck Corica Golf Complex

ANNUAL ACTIVITY LEVELS					
Rounds of Golf	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Earl Fry Course	72,000	72,000	72,000	72,000	72,000
Jack Clark Course	54,000	54,000	54,000	54,000	54,000
Mif Albright Course	19,000	19,000	19,000	19,000	19,000
Total Daily Fee Rounds	**145,000**	**145,000**	**145,000**	**145,000**	**145,000**
Additional Tourney Rds	-	2,000	3,500	4,500	5,000
Total Rounds		**147,000**	**148,500**	**149,500**	**150,000**
REVENUES PER ROUND					
Green Fees - EF	$19.84	$20.78	$21.75	$22.77	$23.84
Green Fees - JC	$19.24	$19.79	$20.35	$20.92	$21.51
Green Fees - Mif	$7.36	$7.68	$8.02	$8.37	$8.74
Green Fees - Tourney	$45.00	$46.35	$47.74	$49.17	$50.65
Cart Rental	$3.82	$3.82	$3.82	$3.82	$3.82
Monthly Ticket	$1.83	$1.83	$1.83	$1.83	$1.83
Shop Merchandise	$2.71	$2.79	$2.88	$2.96	$3.05
Driving Range	$3.12	$3.12	$3.12	$3.12	$3.12
Lessons	$1.29	$1.29	$1.29	$1.29	$1.29
Other (Rentals, etc.)	$0.35	$0.35	$0.35	$0.35	$0.35
FOOD & BEVERAGE					
Gross F&B	$1,300,000	$2,000,000	$2,200,000	$2,400,000	$2,500,000
PROJECTED CASH FLOW ANALYSIS					
REVENUES:					
Total Green Fees	$2,607,600	$2,803,000	$2,984,300	$3,149,900	$3,297,900
Total Cart Fees	$481,800	$481,800	$481,800	$481,800	$481,800
Monthly Tickets	$265,400	$265,400	$265,400	$265,400	$265,400
Driving Range	452,400	458,600	463,300	466,400	468,000
Shop Merchandise	393,000	410,300	427,000	442,700	457,500
Food & Beverage Rent	104,000	200,000	220,000	240,000	250,000
Lessons	187,100	189,600	191,600	192,900	193,500
Other (Rentals, etc.)	50,800	51,500	52,000	52,300	52,500
TOTAL OPER. REVENUE	**$4,542,100**	**$4,860,200**	**$5,085,400**	**$5,291,400**	**$5,466,600**
Plus:					
Non-Oper. Rev. (Int., etc.)	$70,000	$70,000	$70,000	$70,000	$70,000
TOTAL REVENUE	**$4,612,100**	**$4,930,200**	**$5,155,400**	**$5,361,400**	**$5,536,600**
EXPENSES:					
Wages and Benefits	$2,369,828	$2,519,100	$2,677,800	$2,846,500	$3,025,800
Professional Services	$361,100	$366,000	$369,800	$372,300	$373,500
Utilities	$384,400	$391,700	$399,100	$406,700	$414,400
Repair & Mtce. Supplies	$500,300	$507,200	$512,300	$515,800	$517,500
Cost Allocation	$438,000	$451,100	$464,600	$478,500	$492,900
Other Expenses	$220,400	$220,400	$220,400	$220,400	$220,400
TOTAL OPER. EXPENSES	**$4,274,028**	**$4,455,500**	**$4,644,000**	**$4,840,200**	**$5,044,500**
EBITDA	**$338,072**	**$474,700**	**$511,400**	**$521,200**	**$492,100**
Less:					
Depreciation	$360,283	$360,283	$360,283	$360,283	$360,283
Debt Service	$295,117	$295,117	$295,117	$295,117	$295,117
Total Depr./Debt Service	**$655,400**	**$655,400**	**$655,400**	**$655,400**	**$655,400**
NET EARNINGS	**($317,328)**	**($180,700)**	**($144,000)**	**($134,200)**	**($163,300)**
Less Transfers Out:					
PILOT / ROI	$425,000	$425,000	$425,000	$425,000	$425,000
Surcharges	$145,000	$154,350	$155,925	$156,975	$157,500
Total Transfers	**$570,000**	**$579,350**	**$580,925**	**$581,975**	**$582,500**
NET AFTER TRANSFERS	($887,328)	($760,050)	($724,925)	($716,175)	($745,800)

Financial Projections Results – Scenario 1

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming the "as is" scenario but with a new banquet center, show that net losses, after all operating expenses, debt service, and transfers, will continue for the next five years. Total revenues are expected to be $4.6 million in FY 2007-08, growing to approximately $5.53 million by FY 2011-2012. However, considering all preliminary expense estimates prepared by NGF Consulting for this study, cumulative losses after operating expenses, debt service, and transfers will be more than $3.8 million over the next five years.

The implication for Chuck Corica Golf Complex is that these losses will result in continued depletion of the operating reserve (unrestricted fund balance), and preclude major facility improvements. In this market environment, this scenario will put Chuck Corica at a further competitive disadvantage as other regional golf courses continue their CIP programs.

SCENARIO 2 – CONTINUED CITY OPERATION AND ENACTING NGF CONSULTING OPERATIONAL RECOMMENDATIONS

The basic assumptions for Scenario 2 – Continued Self-Management and Maintenance by City, but with implementation of NGFC operational recommendations (with exception of abatement of ROI and Surcharge transfers, and the closing of the Mif Albright) – are listed below. *We list only those assumptions that differ from Scenario 1.* Essentially, we have assumed growth in rounds, where there was none in Scenario 1, and more aggressive growth in per-round revenues, both as a result of the operational changes. We also assume higher gross Food & Beverage revenues.

General Assumptions

- Most, or all, of NGF Consulting recommendations made earlier in the report are implemented.
- *Capital improvements recommended in this report cannot be funded, so the banquet center remains the only new major facility improvement in this scenario.*
- Top management at Chuck Corica will comprise the Operations Manager position, and a second position that, regardless of title, entails the job responsibilities and skill sets as recommended earlier. It is assumed that the combined salaries of these two positions will be roughly the same as was paid to General Manager and Golf Services Manager in 2006-07. The General Manager position is assumed to be vacated at Chuck Corica, while other staffing levels are assumed to remain the same as in the base year.

Basis for Projections

Rounds Played

- As noted, preliminary 2006-07 figures for rounds played were used as the base year for rounds played. However, thereafter, growth in rounds played through 2011-12 is assumed to be 2% annually.

Revenues

- Actual FY 2005-06 green fee revenue per round was used as the base year for all three courses:

- Early Fry and Mif Albright green fee revenue per round is projected to increase by 5.0% per year.
- Jack Clark green fee revenue per round is projected to increase by 4.0% per year.
- Average tournament green fee revenue per round is assumed to grow 5.0% annually.

- Driving range, shop merchandise, and lesson revenues all grow at 5% annually.
- The schedule for Gross Food & Beverage ranges from $1.3 million in 07-08 to $3.0 million in both 2010-11 and 2011-12.

Operating Expenses

- Annual growth rates for expenses remain the same. The only expenses that increase over base scenario are those that are expressed as a function of rounds played.
- Staffing levels remain the same as under Scenario 1.

Annual Transfers

- Same as under Scenario 1, except for Surcharges, which are a function of rounds played.

Cash Flow Statement

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements that follow. Each category of revenue has been listed separately, and all figures have been rounded to the nearest $100 for simplicity.

Chuck Corica GC Projected Financial Performance (FY 07-08 through-FY 11-12)

Projected Cash Flow Analysis Scenario 2
Chuck Corica Golf Complex

ANNUAL ACTIVITY LEVELS					
Rounds of Golf	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Earl Fry Course	72,000	73,440	74,909	76,407	77,935
Jack Clark Course	54,000	55,080	56,182	57,305	58,451
Mif Albright Course	19,000	19,380	19,768	20,163	20,566
Total Daily Fee Rounds	**145,000**	**147,900**	**150,858**	**153,875**	**156,953**
Additional Tourney Rds	-	2,000	3,500	4,500	5,000
Total Rounds		**149,900**	**154,358**	**158,375**	**161,953**
REVENUES PER ROUND					
Green Fees - EF	$19.90	$20.89	$21.94	$23.04	$24.19
Green Fees - JC	$19.46	$20.24	$21.05	$21.89	$22.77
Green Fees - Mif	$7.40	$7.77	$8.16	$8.57	$9.00
Green Fees - Tourney	$44.28	$46.49	$48.82	$51.26	$53.82
Cart Rental	$3.82	$3.82	$3.82	$3.82	$3.82
Monthly Ticket	$1.83	$1.83	$1.83	$1.83	$1.83
Shop Merchandise	$2.76	$2.90	$3.05	$3.20	$3.36
Driving Range	$3.38	$3.55	$3.73	$3.91	$4.11
Lessons	$1.44	$1.51	$1.59	$1.67	$1.75
Other (Rentals, etc.)	$0.35	$0.35	$0.35	$0.35	$0.35
FOOD & BEVERAGE					
Gross F&B	$1,300,000	$2,000,000	$2,500,000	$3,000,000	$3,000,000
PROJECTED CASH FLOW ANALYSIS					
REVENUES:					
Total Green Fees	$2,624,300	$2,892,900	$3,158,200	$3,418,000	$3,670,000
Total Cart Fees	$481,800	$491,400	$501,200	$511,200	$521,500
Monthly Tickets	$265,400	$270,700	$276,100	$281,600	$287,200
Driving Range	489,900	531,800	575,000	619,500	665,100
Shop Merchandise	400,600	434,800	470,200	506,500	543,900
Food & Beverage Rent	104,000	200,000	250,000	300,000	300,000
Lessons	209,200	227,100	245,500	264,500	284,000
Other (Rentals, etc.)	50,800	52,500	54,000	55,400	56,700
TOTAL OPER. REVENUE	**$4,626,000**	**$5,101,200**	**$5,530,200**	**$5,956,700**	**$6,328,400**
Plus:					
Non-Oper. Rev. (Int., etc.)	$70,000	$70,000	$70,000	$70,000	$70,000
TOTAL REVENUE	**$4,696,000**	**$5,171,200**	**$5,600,200**	**$6,026,700**	**$6,398,400**
EXPENSES:					
Wages and Benefits	$2,369,828	$2,519,100	$2,677,800	$2,846,500	$3,025,800
Professional Services	$361,100	$373,300	$384,400	$394,400	$403,300
Utilities	$384,400	$391,700	$399,100	$406,700	$414,400
Repair & Mtce. Supplies	$500,300	$517,200	$532,500	$546,400	$558,700
Cost Allocation	$438,000	$451,100	$464,600	$478,500	$492,900
Other Expenses	$220,400	$224,800	$229,300	$233,900	$238,600
TOTAL OPER. EXPENSES	**$4,274,028**	**$4,477,200**	**$4,687,700**	**$4,906,400**	**$5,133,700**
EBITDA	**$421,972**	**$694,000**	**$912,500**	**$1,120,300**	**$1,264,700**
Less:					
Depreciation	$360,283	$360,283	$360,283	$360,283	$360,283
Debt Service	$295,117	$295,117	$295,117	$295,117	$295,117
Total Depr./Debt Service	**$655,400**	**$655,400**	**$655,400**	**$655,400**	**$655,400**
NET EARNINGS	**($233,428)**	**$38,600**	**$257,100**	**$464,900**	**$609,300**
Less Transfers Out:					
PILOT / ROI	$425,000	$425,000	$425,000	$425,000	$425,000
Surcharges	$145,000	$157,395	$162,076	$166,294	$170,050
Total Transfers	**$570,000**	**$582,395**	**$587,076**	**$591,294**	**$595,050**
NET AFTER TRANSFERS	($803,428)	($543,795)	($329,976)	($126,394)	$14,250

Financial Projections Results – Scenario 2

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming the continued self-operation by the City, but enacting NGF Consulting operational recommendations, show that net losses, after all operating expenses, debt service, and transfers, will decline over the next five years until reaching a virtual break-even position by 2011-12. Total revenues are expected to be $4.7 million in FY 2007-08, growing to approximately $6.4 million by FY 2011-2012. However, considering all preliminary expense estimates, debt service payments, and annual transfers, cumulative losses will still total more than $1.8 million over the next five years.

Enacting the recommendations made in this report will result in an improved bottom line. However, losses after transfers will continue over the next four years and, as with the base scenario, the City will have to continue depleting the operating reserve, and major facility improvements will be deferred.

SCENARIO 3 – PRIVATE LESSEE

The assumptions for Scenario 3 – Enter into Agreement with Private Lessee – are listed below. First, we will provide a general overview of this operational alternative. The private lease scenario assumes that the City can attract a lessee, that the facility would be more efficiently and professionally operated by a private golf course operator, and that many of the NGF Consulting recommendations will be implemented. We would expect significantly lower operating expenses, better course maintenance, and improved marketing.

In this scenario, we do not assume any major capital improvement during the first five years of the lease, other than new banquet facility (which, because of the existing concession agreement, would still be funded by the City). Creation of a master plan for improvements, as well as funding responsibility and timing of improvements, are some of the many issues to be negotiated. Assuming none of the major capital improvements in the first five years will also give us an opportunity to compare essentially the same operation, under public and private operation, from the City's perspective.

Rather, we assume that each side will commit a certain amount to funding future improvements, including establishment of a CIP set aside account, which the lessee would contribute to out of gross revenues, and the City would contribute to out of the lease payment. If improvements are done sooner rather than later, they would likely have to be at least partially funded through rent concessions/ abatements.

In ***Appendix G***, we present the highlights of several examples of operating leases entered into between public entities and private operators. This includes the lease between American Golf Corporation and the City of San Leandro for the operation of Monarch Bay. All of these leases include minimum guaranteed rent, plus a percentage of gross revenue. The payment is equal to the higher of these two figures. They also include capital improvement provisions, and stipulations for maintenance standards.

For our purposes, we have assumed very conservative minimum guaranteed rent and percentage rent terms. For instance, the Monarch Bay lease had a guaranteed minimum rent of between $550,000 and $625,000, and percentage rent of 25% of gross revenue from green fees, golf cart rentals and driving range fees, as well as 5% of other revenue centers. This was in addition to $10+ million in capital improvements required of the lessee. However, this lease was entered into at a time when the regional golf market was much stronger. (We have heard, anecdotally, that the two parties may be re-negotiating the terms of the lease). Also, the lease shown between the City/County of San Francisco Public Utilities Commission and the lessee for Crystal Springs was re-negotiated in 2003 "because of declining economy and golf market". In today's market climate, both parties are likely to enter negotiations with realistic expectations.

General Assumptions

- Market conditions remain the same, in terms of golf facility inventory, population, and general economic health.
- General maintenance conditions of Chuck Corica are improved compared to current standards.
- FY 2007-08 is considered year 1 of the pro forma though, realistically, a private operator would likely not take over before FY 2008-09 at the earliest. The goal here is to present a contrast of how the operation would look under public and private operation. As was the case in our earlier scenarios, actual results for 05-06 (and 06-07 for rounds played) were utilized to establish base numbers for 2007-08.
- All personnel would be employees of the private operator.
- There would be no transfers to the General Fund other than lease payments.
- Any remaining Unrestricted Fund Balance would be available to the City for whatever use they deemed most appropriate, including contributing toward facility improvements.
- The only major improvement we assume is the stand-alone banquet center, which is expected to be constructed at City expense and operational by 2008-09. Associated annual debt service for the banquet center was projected based on a $2 million cost, 20-year financing, and 5% interest rate.
- The current restaurant lessee will remain at least through the end of the current agreement.
- The pro forma does not include any City expenses that may be associated with contract administration, oversight, or compliance.
- The lessee will provide all maintenance and other equipment, as well as furnishings for the clubhouse, etc. We have not assumed any income to the City for the disposition of current assets.
- We have assumed that the Mif Albright will be closed as part of the lease deal, as we do not believe that a private operator would project a positive net cash flow for this course. The closing might also present the City with an upside revenue opportunity if an alternative recreation use could be found (perhaps via a ground lease).

Major Lease Terms

- Lease term is assumed to be 20 years, with renewal option provisions.
- There will be a guaranteed minimum rent, plus stipulated percentage of various revenue centers (to exclude F&B, at least while current tenant is at Chuck Corica). For simplicity

purposes, we have assumed the percentage rent to be 10% of all gross revenues. The payment is equal to the higher of the minimum or this percentage rent.

- Lessee will be responsible for stipulated capital improvements; term will include stipulation regarding timing of completion.

- We assume that there will be some provision regarding City approval of resident fees only.

- There will be provisions regarding agreed upon maintenance standards and compliance.

Basis for Projections

Rounds Played

- As noted, for comparison purposes only, we have assumed that FY 2007-08 is year 1 for the lessee. Therefore, year 1 of the pro forma assumes that the Mif Albright is closed, reducing total rounds off the base self-operation scenario by about 20,000 rounds to 125,000 total rounds.

- Beginning in 2008-09, we have projected a decreasing schedule of daily fee rounds, from 122,000 in 08-09, to a stabilized level of 120,000 daily fee rounds in 2011-12. We also project the total *proportion* of rounds on the South course to increase. These changes reflect:

  - The discontinuation of *new* monthly tickets; existing ticket holders will be grandfathered in. We project the number of ticket holders to decline by 20% per year over the five-year period.

  - A higher differential in pricing between the North and South courses.

  - A significant reduction in the number of Complementary rounds.

- A schedule of *incremental* tournament rounds (same level of *existing* tournament rounds was is assumed within the daily fee total, and fees are reflected in the average green fee per round for daily fee rounds) is projected, beginning in 2008-09; these rounds are attributed to the banquet facility and the ability to solicit and facilitate larger events.

Revenues

- Average revenues per round were derived for all revenue centers, based on actual FY 05-06 results. These numbers were then used as the basis for future projections.

- Actual FY 2005-06 green fee revenue per round was used as the base year for all three courses:

  - Early Fry green fee revenue per round is projected to increase by 10.0% per year, reflecting a more favorable mix of rounds (fewer monthly ticket rounds, fewer comp rounds, discount rounds steered toward the South course).

  - Jack Clark green fee revenue per round is projected to increase by 5.0% per year.

  - Average tournament green fee revenue per round was assumed to be $45 in 2007-08, growing at 7.5% annually thereafter.

- The basis for cart revenue per round was the average number for the previous five-year period, plus 7% to reflect the increase in price from $14 to $15. Average cart revenue per round is projected to grow 3% annually.

- Monthly ticket revenue, which is expressed as a function of total rounds, decreases by 20% per year to reflect the elimination of new tickets.

- Shop revenue per round was based on 05-06 actual result, and grows at 5% per year after year 1 to reflect more aggressive merchandising.

- Driving range revenue per round was based on a very consistent five-year average of $3.12, and grows 3% annually.

- Lesson revenue per round increases to $2 per round in 2008-09, reflecting an aggressive programming component, and the elimination of contract teachers. Annual growth thereafter is assumed at 5%.

- Initial 'Other' revenue (gift certificates, locker/reservation fees, rentals, etc.) was based on a five-year average of $0.35, growing at 3% per year.

- Base year *Gross* Food & Beverage was assumed to be $1.3 million, based on the concessionaire's projections. Beginning in 2008-09, with the addition of the banquet center, a schedule of gross revenues was prepared, ranging from $2 million in 08-09 to $2.5 million in 2011-12. Percentage rent to the City is projected to change to 10% of gross revenues (from current 8%), beginning in 2008-09.

Operating Expenses

- Expenses were based on actual FY 2005-06 results for the City, and grouped into 'Labor' and 'Non-Labor' categories for simplicity.

- Labor expense under private operation is projected to be 75% of what the City paid, and grows at an annual rate of 4%

- Non-labor expenses are projected at 85% of the corresponding City cost, and grow at 3% annually.

- Cost of Goods Sold is included in non-labor expenses.

- Non-labor expenses do *not* include income or property taxes, but do include depreciation.

- A Contingency line item, equivalent to 5% of total labor and non-labor expenses, is included.

- A Capital Improvement set-aside line item has been included, and is equal to 3% of gross operating revenues.

Payments to / from City

- Annual rent to City is projected to be either a guaranteed minimum rent, or a percentage rent equal to 10% of all gross revenues, whichever is higher.

- City will continue to receive 8% of gross revenues from restaurant lessee until 2008-09, when stand-alone banquet center is built. Rents are 10% of gross thereafter.

- City will continue to pay existing debt service, plus additional $160,000 annually for banquet center.

Cash Flow Statement

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statements that follow. Each category of revenue has been listed separately, and all figures have been rounded to the nearest $100 for simplicity.

Chuck Corica GC Projected Financial Performance (FY 07-08 through-FY 11-12)

Projected Cash Flow Analysis Scenario 3
Chuck Corica Golf Complex

ANNUAL ACTIVITY LEVELS					
Rounds of Golf	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Earl Fry Course	71,000	69,000	68,000	66,000	66,000
Jack Clark Course	54,000	53,000	52,000	54,000	54,000
Total Daily Fee Rounds	**125,000**	**122,000**	**120,000**	**120,000**	**120,000**
Additional Tourney Rds	-	2,500	4,000	5,000	6,000
Total Rounds		**124,500**	**124,000**	**125,000**	**126,000**
REVENUES PER ROUND					
Green Fees - EF	$19.90	$21.89	$24.08	$26.49	$29.14
Green Fees - JC	$19.65	$20.63	$21.66	$22.74	$23.88
Green Fees - Tourney	$45.00	$48.38	$52.00	$55.90	$60.10
Cart Rental	$3.82	$3.94	$4.06	$4.18	$4.30
Monthly Ticket	$1.83	$1.46	$1.17	$0.94	$0.75
Shop Merchandise	$2.71	$2.85	$2.99	$3.14	$3.29
Driving Range	$3.12	$3.21	$3.31	$3.41	$3.51
Lessons	$1.29	$2.00	$2.10	$2.21	$2.32
Other (Rentals, etc.)	$0.35	$0.36	$0.37	$0.38	$0.39
FOOD & BEVERAGE					
Gross F&B	$1,300,000	$2,000,000	$2,200,000	$2,400,000	$2,500,000
PROJECTED CASH FLOW ANALYSIS					
REVENUES:					
Total Green Fees	$2,473,800	$2,724,700	$2,971,800	$3,255,800	$3,573,100
Total Cart Fees	$477,900	$480,500	$486,800	$501,400	$516,400
Monthly Tickets	$228,800	$178,600	$140,500	$112,400	$89,900
Driving Range	390,000	400,100	410,400	426,200	442,500
Shop Merchandise	338,800	354,300	370,500	392,200	415,100
Lessons	161,300	249,000	260,400	275,600	291,700
Other (Rentals, etc.)	43,800	44,900	46,000	47,800	49,600
TOTAL OPER. REVENUE	**$4,114,400**	**$4,432,100**	**$4,686,400**	**$5,011,400**	**$5,378,300**
EXPENSES:					
Labor	$1,777,400	$1,848,500	$1,922,400	$1,999,300	$2,079,300
Non-Labor	$1,618,600	$1,667,200	$1,717,200	$1,768,700	$1,821,800
Contingency	$169,800	$175,785	$181,980	$188,400	$195,055
CIP	$123,400	$133,000	$140,600	$150,300	$161,300
TOTAL OPER. EXPENSES	**$3,689,200**	**$3,824,485**	**$3,962,180**	**$4,106,700**	**$4,257,455**
Net Before Rent/Taxes	**$425,200**	**$607,615**	**$724,220**	**$904,700**	**$1,120,845**
PAYMENTS TO CITY:					
F&B Rent	$104,000	$200,000	$220,000	$240,000	$250,000
Lease Payment	$411,400	$443,200	$468,600	$501,100	$537,800
Total Receipts	**$515,400**	**$643,200**	**$688,600**	**$741,100**	**$787,800**
LESS:					
Debt Service	$295,117	$295,117	$295,117	$295,117	$295,117
CIP Set-Aside	$20,600	$22,200	$23,400	$25,100	$26,900
Total Expenses	**$315,717**	**$317,317**	**$318,517**	**$320,217**	**$322,017**
NET TO CITY	**$199,683**	**$325,883**	**$370,083**	**$420,883**	**$465,783**
NET TO LESSEE	**$13,800**	**$164,415**	**$255,620**	**$403,600**	**$583,045**

Financial Projections Results – Scenario 3

The results of NGF Consulting's cash flow model for the Chuck Corica Golf Complex, assuming a private lease scenario, show that rent/lease payments to the City will total $3.38 million over the first five years of operation, including restaurant lease payments. After debt service payments and capital improvement set aside, the City is projected to net about be $1.78 million over the five years.

From the lessee's perspective, gross operational revenues are projected to be $4.1 million in FY 2007-08, growing to approximately $5.4 million by FY 2011-2012. Considering all preliminary expense estimates and lease payments to the City, net operator profit before taxes is projected to total more than $1.4 million over the five-year period.

Funding for Capital Improvements

A potential lessee, based on their own review of the RFP the City issues and their own analysis of the potential revenues at Chuck Corica GC, may agree to fund all necessary facility improvements. However, barring that possibility, NGF Consulting believes that rent concessions by the City in the early years of the lease, in exchange for completing capital improvements by a specified time, would be the most prudent course of action.

The sooner improvements are made, the sooner Chuck Corica will be able to compete more effectively in this market, where many golf courses have undergone, or are in the midst of, major capital improvement campaigns. Once major facility and golf course improvements are completed, the operator will be able to segment the North and South (more affordable) courses and re-position them in the market, as discussed previously in this report.

In essence, the more interesting and historical North course will be positioned at a higher price point and marketed to attract more higher-fee, non-resident play. The improved South course will offer excellent value, and will remain an affordable golf option in the market. As it stands now, Chuck Corica's chief appeal is its convenience to its loyal resident customer base, and its affordability. With the improvement of the courses and a return (of the North course especially) to their historical roots, the operator will have an appealing story line to market.

Earlier in this report, NGF Consulting prepared a prioritized list of facility improvements for Chuck Corica. The total estimated cost of these improvements, including the $2 million banquet center that we have assumed will be built in all our scenarios, is about $9.7 million. The five-year pro forma prepared by NGF Consulting under the lease scenario showed a net return (after existing debt service) to the City of about $1.78 million over the five years. This total included nearly $900,000 over the first three years of private operation. As we can see from the table below, the City could, in effect, fund about $5 million of improvements by granting $400,000 to $450,000 in rent concessions early in the contract.

Capital Investment	**Annual Debt Service Payment @ Interest Rate**			
	5.0%	**5.5%**	**6.0%**	**6.5%**
$2,000,000	$160,490	$167,360	$174,370	$181,510
$5,000,000	$401,210	$418,400	$435,920	$453,780
$7,500,000	$601,820	$627,590	$653,880	$680,670
$10,000,000	$802,430	$836,790	$871,850	$907,560

Another consideration is that, at the time the lessee takes over the operation, any remaining Unrestricted Fund Balance would be available to the City for whatever use they deemed most appropriate, including contributing toward facility improvements. Finally, the closing of the Mif Albright might present the City with an additional revenue source if an alternative recreation use could be found, possibly through a ground lease.

Management Recommendation and Summary Conclusion

NGF Consulting has made a number of operational recommendations in this report that, if implemented, would likely result in improved economic performance at Chuck Corica Golf Complex. However, based on NGF Consulting's financial analyses of the various operational alternatives available to the City of Alameda for the future of Chuck Corica Golf Complex, we have concluded that a lease agreement is the best solution for the City if it wants to stem the financial downturn, and preserve the golf facility asset for future generations.

We believe that several issues preclude a meaningful solution under self-operation, including the magnitude of the yearly transfers to the General Fund, the rapidly rising cost of labor, and the pervasive atmosphere of an entitlement culture at Chuck Corica, as manifested by the presence of "sacred cows" and political considerations shaping operational policies. Though the latter situation is not unique at municipal golf courses, it does mean that there are very serious constraints to implementing best business practices, which is a necessity when golf is set up as a self-sustaining enterprise fund competing with private enterprise, rather than as a subsidized municipal recreation amenity.

Under the "best case" self-operational scenario prepared by NGF Consulting, Chuck Corica would return to a break-even position by 2012. However, this scenario envisions that all NGF Consulting operational recommendations are successfully implemented. Based on our review of operations at Chuck Corica, and the highly politicized culture at the facility, we conclude that it is unlikely that even the best-qualified and well-intentioned management will be able to make all of the operational changes necessary to generate enough revenue to fund needed capital improvements.

NGF Consulting believes that City self-operation of Chuck Corica will result in continued yearly operating losses, and thus further depletion of the operating reserve (unrestricted fund balance) until it is gone. This will likely be the case even if the Surcharges, ROI, and even PILOT transfers are discontinued - a policy that would bring relief in the short run, but likely not in the long run, as the issues of rapidly increasing labor costs, a hyper-competitive golf market, an aging clientele, and the politicized operating atmosphere at Chuck Corica remain.

Under the self-operation scenario, we believe that the annual transfers will ultimately swing in the opposite direction, and that the General Fund will at some point be subsidizing golf. At the same time, all major facility improvements will be precluded, further deteriorating the living, breathing asset that is a golf course. This will ultimately put Chuck Corica, which has already lost about 100,000 rounds of play over the last decade, into an untenable position as it tries to regain, or even sustain, market share in this highly competitive golf market.

As indicated by the cash flow models summarized above, a lease agreement might not provide the same level of revenue to the City that it is currently getting via the cost allocation and other transfers, at least in the short run. Also, the amount of the lease payment is subject to many variables, and may be less than projected. However, virtually all of the lease payment would be net to the City, as there likely would be little associated administrative expense other than contract oversight and compliance. (Additionally, depending on the terms of the contract, the lessee might be subject to property taxes). More important, the burden of operating risk will be transferred to the private operator, and the City will be guaranteed a minimum rent payment each year.

Finally, with a long-term lease, the private operator will likely be responsible for the majority of capital improvements at the facility (see investments made by private operators at Monarch Bay and Metropolitan, to name just two). This is a critical issue, as we have documented in this report that Chuck Corica is badly in need of improvements, all of which are currently on hold indefinitely. These improvements might be made in the early years of the lease, depending on the operator's own projections for net cash flows, and the City's willingness to potentially concede some level of rent payments in order to contribute financing to capital projects.

Through a carefully crafted RFP, the City should be able to find a highly qualified professional operator to manage and maintain Chuck Corica. The contract must be carefully constructed in terms of oversight, compliance, and other provisions, such as the City retaining approval of resident green fees, but not be so restrictive that it will not draw interest. Though the City would give much control, the lease would shift the burden of risk to the private operator, provide a guaranteed net cash flow to the City, and provide a means to fund needed facility improvements.

Appendices

APPENDIX A – THE BELL LEGACY

APPENDIX B – PHYSICAL REVIEW PHOTOGRAPHS

APPENDIX C – DEMOGRAPHICS

APPENDIX D – DEMAND / SUPPLY / CONSTRUCTION

APPENDIX E – GOLFER SURVEY PROGRAM

APPENDIX F – CUSTOMER ORIGIN MAP

APPENDIX G – SAMPLE LEASES